

## Combating Escalating Pharmacy Cost through Strategic Benefit Design and Management

Pharmacy costs are no longer a background trend for pharmacy benefit managers (PBMs) and/or employers (“Plan Sponsors”)—they are an immediate call to action that centers around benefit design considerations. With health care costs projected to rise by **9% in 2026** and specialty drugs driving **40% to 60%** of total drug spend, plan sponsors need to decide where they will intervene, what level of cost exposure they will accept, and which management strategies they will implement now.

The central question is not whether pharmacy costs will continue to rise, but how proactively plan sponsors will respond. Cost pressure from specialty utilization, manufacturer pricing, chronic disease treatment expansion, and new high-cost therapies requires a more disciplined approach to coverage policy, vendor strategy, and utilization management.

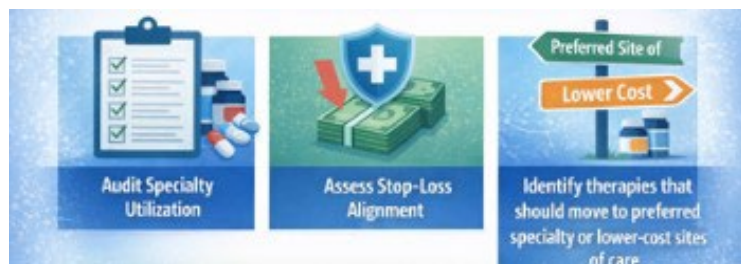
### Key Cost Drivers

**GLP-1 Expansion:** Rapid uptake for obesity, diabetes, and emerging cardiometabolic indications is materially increasing pharmacy spend and reshaping coverage strategies. Plan sponsors should make an explicit coverage decision now for obesity, diabetes, and broader cardiometabolic use. Without defined eligibility rules, prior authorization standards, and a funding strategy, GLP-1 adoption can quickly outpace budget assumptions.

### Actions to Manage Key Cost Drivers:



### Actions to Address Specialty Medications:



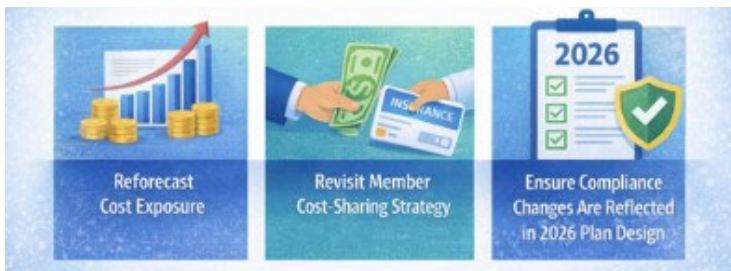
**Specialty Medication Dominance:** The cost curve continues to shift toward complex therapies, including cell and gene therapies, creating greater budget volatility and amplifying the financial impact of a small number of high-cost claims. A small number of high-cost claims can materially change plan performance. Plan sponsors need a strategy for specialty oversight, site-of-care management, and protection against catastrophic claim volatility.

**Inflation and Supply Chain Pressure:** Rising input and distribution costs can erode savings assumptions and create disruption risk. Higher input, packaging, and transportation costs, combined with periodic material shortages, can move through the supply chain and ultimately raise costs. Plan sponsors should pressure-test whether current vendor contracts, guarantees, and sourcing arrangements are resilient enough for continued volatility.

**Actions to Mitigate Inflation/Supply Chain Pressures:**



**Actions to Accommodate Regulatory Shifts:**



**Regulatory Shifts:** Policy changes such as the **\$2,000 out-of-pocket cap** under the Inflation Reduction Act and the GENEROUS model for Medicaid, are beginning to reshape pricing expectations, member affordability expectations, and sponsor cost exposure as member cost-sharing declines. Plan sponsors should assess how new affordability rules may shift more high-cost pharmacy liability onto the plan.

**Priority Strategies for Plan Sponsors**

The most effective plan sponsor responses share one characteristic: they translate pharmacy trend awareness into concrete design, contracting, and management decisions. The following approaches represent the highest-priority actions for organizations seeking greater control over pharmacy cost and performance.



**Renegotiate for Transparency:** Evaluate whether the current arrangements with suppliers provide full visibility into ingredient cost, fees, and rebate flow. If not, pursue a pass-through or cost-plus model with stronger audit rights and clearer guarantees.

A transparent arrangement can give a plan sponsor full visibility into ingredient cost, administrative fees, and rebate flow, making it easier to identify hidden spread pricing and negotiate more favorable terms.



**Increase Structural Oversight:** Assess whether carving pharmacy out of the medical plan would improve reporting, formulary control, and specialty drug management enough to justify the operational change.

Carving pharmacy out of an integrated medical plan can provide more targeted reporting, greater formulary oversight, and stronger control over specialty utilization and spend.



**Adopt a Biosimilar-First Strategy:** Identify therapeutic categories where biosimilars can be preferred, and align formulary rules, provider communication, and member education to support adoption. Prioritizing biosimilars is becoming a mainstream cost-management strategy as plan sponsors seek clinically appropriate alternatives to higher-cost reference biologics. Biosimilars are FDA-approved therapies that are highly similar to original biologic products and are intended to deliver comparable clinical performance at a lower potential cost.

When a plan prefers a biosimilar over a higher-cost reference biologic, it may reduce net drug spend while preserving a clinically appropriate treatment option for members.



**Shift Drugs into Better-Controlled Channels:** Review provider-administered drugs to determine where movement from the medical benefit to the pharmacy benefit can improve pricing transparency, utilization controls, and dispensing economics.

For example, shifting an infused specialty therapy to the pharmacy benefit can improve cost visibility, expand access to preferred specialty channels, and strengthen utilization controls.



**Use Direct-to-Consumer Options Selectively:** Identify drug classes where cash-pay or manufacturer-sponsored channels can reduce total plan liability or improve member affordability without undermining broader benefit objectives.

For select generic medications, a direct-to-consumer cash-pay option may offer a lower-cost alternative than the plan-negotiated rate, reducing both member expense and plan liability.



**Decide Whether to Move Rebates to the Point of Sale:** Emerging rebate models apply a portion of manufacturer savings at the pharmacy counter, improving member affordability and increasing the visibility of real-time drug costs. Weighing the tradeoff between improved member affordability and the impact on aggregate plan savings, sponsors can align the rebate model with organization's financial and equity goals.

A point-of-sale rebate model can apply part of the manufacturer discount at the pharmacy counter, lowering immediate member cost while improving pricing transparency.



**Build AI-Enabled Monitoring Into Ongoing Management:** Use analytics to flag utilization risk, identify lower-cost clinically appropriate alternatives, and support faster intervention on prior authorization, adherence, and specialty case management.

An AI-enabled pharmacy platform can identify utilization risk, surface lower-cost clinically appropriate alternatives, and support more timely prior authorization and care management decisions.

### ***In Summary:***

Ultimately, escalating pharmacy costs require plan sponsors to move beyond monitoring trend reports and toward deliberate, sustained action. Rising specialty utilization, GLP-1 demand, regulatory change, and supply chain volatility are increasing both the size and unpredictability of pharmacy spend, making benefit design and vendor strategy more consequential than ever. Organizations that respond effectively will be those that establish clear coverage policies, strengthen financial and clinical oversight, improve transparency across pharmacy partners, and continuously evaluate where utilization controls, channel management, biosimilar adoption, and member affordability strategies can create better outcomes.

In this environment, pharmacy can no longer be managed as a secondary component of the health plan; it must be treated as a strategic priority. Plan sponsors that act now with discipline and intention will be better positioned to protect budgets, support members, and build a more sustainable pharmacy benefit for 2026 and beyond.