

Don't let your PBM off the hook: Crucial questions to ask your pharmacy benefit manager

The pharmacy benefit management (PBM) landscape continues to evolve, with increasing scrutiny on cost drivers, transparency, and patient access. In our latest webinar, industry experts explored some of the most pressing issues in PBM management today, including rebates, international drug sourcing, weight-loss medications, and biosimilars. Here's a deep dive into the key takeaways.

PBM Scrutiny: A Closer Look

Although PBMs have long managed drug benefits for employers, insurers, and other plan sponsors, recent scrutiny from federal agencies and legislative bodies has brought their practices into the spotlight.

The Federal Trade Commission (FTC) and Congress have raised concerns about spread pricing, rebate transparency, and the impact of formularies on drug access, particularly regarding the business practices of the nation's three largest PBMs: CVS Caremark, Express Scripts, and OptumRx. The FTC argues these entities engage in pricing strategies that prioritize their own financial gain or their shareholders' or private equity firm's interests, often to the detriment of patient care and the plan's fiduciary responsibility. Their opaque pricing and contracting strategies make it difficult for plans to understand the true cost of drugs and the profits PBMs make.

A major critique of the industry is its lack of transparency in drug pricing. The FTC has found excessive markups on specialty generic drugs, sometimes by thousands of percent, generating billions of dollars in revenue for the Big 3 PBMs. This is primarily due to spread pricing and significant dispensing revenue from PBM-affiliated pharmacies.

In contrast, ClearScript, a PBM owned by the non-profit, mission-driven Fairview Health System, aligns with the patient-first values of the organization. Over the last 20 years, ClearScript has offered a transparent model with no spread pricing, passing discounts and rebates to clients. We fully disclose fees, eliminate hidden costs, and remove pricing ambiguity, always putting member care over profits.

- ◆ **Ask your PBM: Do you engage in spread pricing and fully disclose all sources of revenue?**

The Truth Behind Rebates: Looking Behind the Curtain

Rebates have long been a source of confusion and debate in the PBM space. Traditionally, PBMs issue a large lump-sum rebate check to clients every quarter, with little transparency in the details. Many plans receive these payments without questioning where the numbers come from. However, with increased scrutiny on PBM practices, more employers and brokers are demanding clarity.

At ClearScript, we prioritize transparency. Our finance team provides NDC-level reporting on rebates, ensuring that each rebate dollar can be traced directly back to the original claim—even if it was processed four to six months ago. This level of detail lets clients understand precisely the rebates they receive and why.

Rebates result from negotiations between drug manufacturers and PBMs, where some medications secure better rebate opportunities than others. While these negotiations can introduce competition and help reduce certain drug prices, they also raise concerns when a single manufacturer controls the market with no competitive alternatives. That lack of competition limits negotiation power, often leading to higher costs. ClearScript remains committed to transparency, ensuring all rebate structures are clear and verifiable for clients and brokers.

- ◆ **Ask your PBM: Are you providing NDC-level rebate details that let us see exactly what we are paying for a drug?**

International Sourcing: A Viable Cost-Saving Strategy?

One of the most frequently asked questions in pharmacy benefit management is: "How can we reduce pharmacy spend?" While there is no simple solution, one emerging strategy is international drug sourcing.

This approach involves obtaining medications from international markets at lower prices compared to U.S. rates. However, not all international sourcing programs are structured the same way. Fees can vary widely—ranging from per-member-per-month fees to percentage-based pricing. While the upfront cost may be lower, hidden fees in sourcing programs (e.g., administrative fees, shipping, and handling costs) can offset the savings. Employers should investigate how these programs generate revenue and whether their fee structures are transparent.

Another concern with international sourcing is regulatory oversight. Unlike U.S. medications that undergo rigorous FDA clinical trials, international drugs may not be subject to the same level of scrutiny, raising questions about safety and efficacy. While international sourcing offers potential savings, it's crucial to carefully weigh the risks and benefits before integrating it into a benefits plan.

- ◆ **Ask your PBM: How does your international sourcing solution generate revenue? Can you provide a detailed breakdown of the projected savings per medication category, considering all fees?**

The Weight-Loss Drug Boom: Costs and Considerations

The demand for GLP-1 medications for weight loss has surged dramatically in recent years. In fact, utilization across ClearScript's book of business increased by 138% in a single year, with total plan spend skyrocketing by 326%. This category has quickly become one of the most expensive drug classes, often reaching specialty-level spending.

Employers now face a difficult question: Should weight-loss medications be covered? Some plans have opted out of coverage, but that hasn't stopped members from seeking alternative routes through commercialized online programs. Additionally, the FDA shortage of some GLP-1 drugs led to a rise in compounded versions, though this is expected to change as manufacturers regain supply control.

The financial impact is staggering. In 2023, the average cost increase was \$3–\$5 per member per month (PMPM), which surged to \$10–\$12 PMPM in 2024 and is now approaching \$14–\$18 PMPM in 2025. With annual per-member costs ranging from \$12,000 to \$16,000, weight-loss drugs are putting immense pressure on benefit plans.

Adding further complexity, new indications for these drugs—such as treatment for sleep apnea—are expanding their market reach. Additionally, manufacturers are developing more accessible formulations, including an **oral semaglutide** that is expected to launch soon, which could reshape the landscape yet again.

Looking ahead, legislative changes may also impact coverage, with Medicare considering mandatory coverage for obesity drugs by **2026**. Employers must stay informed as the landscape continues to evolve.

- ◆ **Ask your PBM: How do you help employers manage the financial impact of GLP-1 coverage?**

Biosimilars: A Game-Changer for Cost Savings

Biosimilars are gaining momentum as cost-effective alternatives to high-priced biologic drugs. Biosimilars for the highly utilized drug Humira have led the way over the last two years. Although savings were slow to start, competition among biosimilars is finally leading to price reductions.

The latest development is the arrival of biosimilars for Stelara, a widely used but expensive autoimmune biologic used to treat psoriasis, psoriatic arthritis, Crohn's disease, and ulcerative colitis.

Two new biosimilars—Yesintek and Salzardi—will soon be available. Initially, they will be priced similarly to Stelara, but once exclusivity periods expire, their prices are expected to drop by 80–85%. The first automatic substitution for Stelara will take effect at the end of April 2025, with broader interchangeability beginning in May 2025.

The adoption of biosimilars follows a familiar pattern: New patients will likely start on the biosimilar first, while existing Stelara users may transition gradually. Employers should anticipate cost savings and be prepared to adjust formulary strategies accordingly.

- ◆ **Ask your PBM: What is your coverage strategy for Stelara biosimilars? Will savings be passed directly to our plan?**



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Final Thoughts: The Future of PBM Management

With increasing costs, evolving regulations, and new drug innovations, pharmacy benefits management has never been more complex. Employers and brokers must stay proactive—asking the right questions, demanding transparency, and exploring new cost-saving opportunities. Whether it's rebates, international sourcing, weight-loss drugs, or biosimilars, ClearScript remains committed to providing clients with clear, transparent, and cost-effective solutions.

Stay tuned for further updates as these trends continue to develop in 2025 and beyond.