



Rx Collaborative

2022 Annual Report to Employers

wtwco.com



Letter
from leadership

Our value
proposition

Financial

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delivery

Insights

Clinical
management

Governance

Looking ahead:
2023 and beyond

The Rx Collaborative is the largest pharmacy coalition in the U.S. We represent over 425 employers with approximately \$6 billion in drug spend and 5.2 million members. Our collective purchasing power and expertise allow us to deliver financial savings, transparency in pricing, pharmacy benefit manager (PBM) oversight, and innovative programs, and services unsurpassed in today's marketplace.

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Letter from the Rx Collaborative leadership

Dear members:

Managing costs, driving value and providing innovative solutions for our employer clients were our primary areas of focus in 2022. As the pandemic continued into its third year, benefit professionals looked to reduce costs, with affordability being top of mind for both employers and employees. In an environment where the healthcare marketplace continually evolves, the Rx Collaborative sustained its commitment to identifying new opportunities to achieve effective pharmacy benefit management for employers.

At our inception we moved the market with our transparent pricing model. Today, transparency remains our priority, and we continue to move the market as the first pharmacy benefit employer coalition to offer a PBM disruptor, Capital Rx. In 2022, we added Capital Rx as a fourth PBM partner to broaden our offering and provide our employer clients with an alternative pricing model based on the national average drug acquisition cost (NADAC), a lowest-net-cost approach. Adding this additional PBM partner increased competition and ultimately led to more aggressive pricing from our other PBM partners, benefitting all Rx Collaborative member clients.

// **Pharmacy is an ever-changing landscape of drugs, PBMs, rebates, discounts, etc. that is hard to manage on your own unless you have a strong pharmaceutical background. To be able to navigate all the different pieces of Rx, I find it really useful to have a team of WTW folks to help provide straight answers independent of the PBMs themselves."**

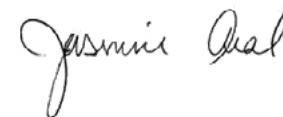
The E.W. Scripps Company

// Our core services differentiate us in the marketplace, and our clients continue to find value in our PBM oversight, clinical management and insights from our industry experts. This is evident in the feedback we receive from our annual employer survey. In fact, 100% of respondents to

our most recent survey would recommend the Rx Collaborative to other employers, which confirms that our value continues to resonate.

WTW has invested in pharmacy for nearly 20 years and has built the largest team of industry experts dedicated to monitoring the market and evaluating new solutions to bring future value to our clients. This established expertise is invaluable as the emerging pipeline of gene therapies and biosimilars have potential to affect employers' drug cost and must be managed appropriately. WTW and Rx Collaborative experts will share strategies employers can use as we embrace the tidal wave of change.

Thank you for your continued support. As always, we strive to serve your needs and welcome your feedback. If you have any questions, comments or suggestions, please contact your WTW pharmacy consultant or email me at jasmine.aral@wtwco.com.



Jasmine Aral
Rx Collaborative Team Lead



2022 at-a-glance

100%

of surveyed employers
would recommend
the Rx Collaborative

2022 members

5 Million

2022 prescriptions

48 Million

2022 drug spend*

\$9.1 Billion

* Drug spend does not include the value of rebates or copay assistance program savings.



Our value proposition to clients

Since its inception, the Rx Collaborative has worked with employers to push for transparency in pharmacy benefit management pricing and revenue sources while continuing to drive strong financial value.

The Rx Collaborative was founded on the belief that employer groups deserve transparency into the revenue sources of the PBMs with whom they engage to better understand the actual cost of the prescription drugs their members are using. As the industry's first large-scale, national pharmacy benefits solution, the Rx Collaborative has been instrumental in transforming the prescription drug group purchasing space as the market has continued to evolve.

Supported by the WTW Pharmacy Community, our team of more than 125 clinicians and financial pharmacy experts is one of the largest consulting groups of its kind in the marketplace. The Rx Collaborative continues to serve clients seeking a coalition with strong oversight of pharmacy benefit managers and a deep understanding of the prescription drug marketplace.

Our pharmacy consultants develop custom approaches that meet individual client needs using exclusive Rx Collaborative strategies in conjunction with our PBM partners' existing programs. As a result, our members have the knowledge and tools necessary to drive appropriate utilization, reduce waste and achieve significant savings.

With partnerships with Express Scripts, CVS Health, Optum Rx and Capital Rx, the Rx Collaborative is uniquely positioned to meet the varying needs of our clients in a growing, dynamic environment.



Financial

The Rx Collaborative team has successfully and consistently negotiated competitive pricing on behalf of our clients and their members. With our experience, capabilities and reach, we can typically negotiate pricing that is 2% to 10% better than others in the market.

Savings throughout the term

Annually, we negotiate improved, market-competitive pricing with each of our PBM partners on behalf of our employer clients. The market intelligence we gather through various audits and procurements provides us with insights that enable us to stay ahead of unfavorable PBM pricing modifications and to ensure our contracts remain market leading.

In addition, our clinical and formulary management oversight produces significant savings for employers with minimal or no disruption throughout the lives of their PBM contracts.

Our financial value proposition: savings throughout the term

	Rx Collaborative pricing is available exclusively to our members.
	Rx Collaborative's pre-negotiated contract template allows for a streamlined process with best-in-class provisions.
	Annual pricing and contract language updates drive additional savings and ensure language reflects our market intelligence.
	New employers joining the Rx Collaborative save an average of 9% to 12% over their previous arrangements.
	Over 200 existing clients received pre-negotiated renewal pricing and contract terms effective January 1, 2023, which are projected to save them an estimated 4% to 9%.
	Almost 225 existing clients received an annual price improvement effective January 1, 2023, generating an estimated 3% to 7% savings.



Service delivery

The Rx Collaborative service model showcases WTW's benefit management on exemplary client service. It offers clients the advantages of WTW consulting combined with pharmacy benefit management through a defined joint service model with four PBMs.

Our service delivery value proposition



Consulting and pharmacy management

The WTW pharmacy community's knowledge and expertise in the PBM industry drive excellence through guidance on competitive intelligence, industry trends, ongoing regulatory updates and due-diligence efforts.



Joint service model

A custom proprietary service delivery model defines the partnership between the PBMs and WTW. The Rx Collaborative account management playbook documents and formalizes processes and best practices for PBM account teams and WTW client teams. All PBM partners endorse the playbook through ongoing account team training and annual updates.



Implementation oversight

Pharmacy consultant/project manager implementation support is key to ensuring the PBM accurately understands and sets up client requirements. Oversight of all implementation activities includes dashboard reporting, weekly meetings with PBM senior implementation leaders and annual debriefs to address concerns and create process improvements.



Escalation process to resolve issues

Strong, proactive relationships with PBM leadership enable WTW to advocate directly on behalf of our clients. The Rx Collaborative's formal escalation process ensures the right resources are engaged to effect change and resolve issues effectively within the PBMs.



Negotiate unique custom performance guarantees

WTW continually pushes the PBMs for unique, meaningful, performance guarantees to measure client and member satisfaction. Annual negotiations include increasing dollars at risk to ensure the PBMs are delivering on their service commitments.



Insights

In a continuously changing pharmacy landscape, it is imperative that employers stay informed in order to effectively manage their pharmacy benefit.

The Rx Collaborative is uniquely positioned to help employers navigate complex changes and bring more value to the pharmacy benefit program.

Members receive insights through our annual employer meeting, monthly e-newsletters and quarterly calls that feature clinical, legal and market updates from WTW experts. These communications showcase the latest trends in healthcare and pharmacy, strategies to overcome emerging challenges and new innovations to consider.

Our employers also have access to WTW intellectual capital on broader healthcare topics related to managing benefits, such as benchmarking data and best practices gained from WTW annual employer surveys.

Timely topics addressed in 2022:

- Diabetes cost management issue — focus on insulin
- COVID-19 OTC at-home testing and oral antiviral treatment
- Biosimilar market — what to expect
- Pharmacogenomics update
- Trends in weight loss and obesity management
- Drug patent expirations
- Regulatory environment impacting pharmacy benefits
- Cell and gene therapies — pipeline and impact to employers



Clinical management

Clinical programs

Clinical programs are designed to address the biggest challenges facing managed care. By leveraging clinical information to ensure the best treatments for an individual patient, high-touch clinical programs can support members taking specialty medications with features to enhance member education and adherence.

In 2022, the number of members covered by pharmacy benefits offered through the Rx Collaborative arrangement exceeded five million, representing a 1.8% increase from the prior year. The number of people utilizing the pharmacy benefit (patients) during the same time period remained flat with no change.

An increase in specialty utilization and drug price inflation drove year-over-year trends:

- 6.7% drug price inflation is roughly double the prior year
 - Total number of specialty prescriptions increased by 12.4% vs 1.6% for non-specialty prescriptions
-

The impact of specialty on overall spend has trended upwards for over a decade. In 2022, specialty drugs represented 48% of Rx Collaborative overall spend. Rx Collaborative programs and clinical management have kept this percentage below the industry which runs at or above 50%. Since specialty drug costs are a key driver of total spend, this matters to employers' bottom lines.

In 2022, over one-third of all Rx Collaborative clients had clinical programs in place to manage diabetes specifically, with many more offering chronic condition management programs inclusive of diabetes. In fact, the WTW 2022 Best Practices in Healthcare Survey found 45% of employers had taken action to manage metabolic syndrome/diabetes, with another 10% planning to do so in 2023 and 15% considering doing so in 2024. This makes sense, as diabetes is consistently a top-spend driver for employers. In 2022, two of the top four drugs in spend were injectable glucagon-like peptide-1 (GLP-1) drugs indicated for treating diabetes.



WTW is keenly aware of the challenges employees face in managing their diabetes and the financial impact this has on employer-sponsored coverage.

In 2022, WTW supported clients' needs by offering Comprehensive Condition Care: Diabetes, the first in a series of clinical support bundles. This solution provides a full suite of offerings to address employer needs in support of members with diabetes. The framework focuses on the top non-specialty pharmacy cost driver for employers where 80% of diabetes spend is attributable to pharmacy costs. The solution options include plan governance, member experience and clinical optimization with the ultimate goal of increased member engagement, decreased spend and better management of the diabetic population.

The landscape for weight management shifted dramatically in 2022 when injectable GLP-1 drugs skyrocketed in popularity as anti-obesity medications. Wegovy®, approved in mid-2021, was quickly seen as a powerful new tool for weight management — to the point that its popularity resulted in a national drug shortage that lasted throughout 2022. This trend then spilled over into other GLP-1 drugs that are indicated for diabetes treatment, resulting in a shortage of those drugs as well.

Despite the shortages, spending on weight loss drugs more than doubled between 2021 and 2022, with a 124% increase. We anticipate this trend to accelerate in the years ahead. Considering around 40% of the adult population in the U.S. could qualify for treatment with these drugs at a cost of around \$15,000 per member per year, the financial impact to employer-sponsored benefits is significant.

Following the success of Comprehensive Condition Care: Diabetes, in 2022 WTW shifted focus to weight management. The two conditions have a great deal of overlap, and employers can turn to WTW pharmacy consultants for support to manage obesity and diabetes, or more broadly, the constellation of metabolic syndrome.

The impact of chronic conditions such as diabetes, hypertension and obesity make clear the importance of maintaining supportive clinical programs for chronic conditions. Specialty gains a lot of attention for high costs; however, it's important to consider that specialty medications typically affect 1% to 2% of any given employee population. While we remain laser-focused on specialty management, we will also continue to focus on more common population health goals.

Gene therapy

The U.S. healthcare system, and pharmacy benefits in particular, have historically been designed for treatments, not cures. This changed with the approval of hepatitis C cures in the past decade and continues with gene therapies.

Some differences exist:

- Hepatitis C cures typically affect larger populations, are given orally over a short course of time and go through the pharmacy benefit. The oral hepatitis C drugs have been priced relatively high compared with other pharmacy benefit drugs, but they are curative.
- Gene therapies are also considered to be curative and priced high. They require infusion and are typically administered in centers of excellence. To date, approved gene therapies are for treating rare diseases, with few alternatives.



In 2022, no gene therapies were processed through Rx Collaborative pharmacy benefits, and roughly one-fourth of Rx Collaborative employers participated in WTW's Stop Loss Collaborative.

Digital therapeutics and point-solution vendors

As the COVID-19 pandemic entered its third year, the use of telemedicine, digital health and app-based care grew among employees in the U.S. If the regulatory environment continues to support the operation of these types of care, a certain part of the population will likely prefer to use them. Employers are responding by partnering with point-solution vendors that offer turnkey services, either through direct vendor partnerships or Rx Collaborative PBM partner contracts.

The digital therapeutics market is slightly different in that the products receive FDA review, typically undergo randomized controlled trials and are meant to result in clinical outcomes — similar to how we think of pharmaceuticals.

As of 2022, all Rx Collaborative PBM partners are able to process coverage for digital therapeutics through the pharmacy benefit, and as this market matures, we will vet the individual products for applicability to employers.

In 2022, Hemgenix® — the first gene therapy for hemophilia type B — was approved. It is priced at \$3.5 million for a one-time dose and will typically go through the medical benefit. Like other gene therapies priced in the \$2 million to \$3.5 million range, Hemgenix® introduces the need for careful consideration of new payment strategies, reinsurance, or stop-loss and value-based agreements. For example, some gene therapy manufacturers offer refunds if the treatments do not result in the long-standing effect they anticipate.

Though much remains to be determined as to how these types of value-based contracts function as members change plans or employers over time.

In 2022, the Rx Collaborative team worked with employers to stay ahead of these treatment approvals, ensuring benefit designs are set up to appropriately address the fundamentally different type of treatments.

WTW's Stop Loss Collaborative subject matter experts provided an overview and addressed pharmacy implications to Rx Collaborative members during our third quarter client call. The deep insights from this level of expertise were well received, and we will work closely with these internal teams as additional gene therapies gain approval for even more common conditions in the future.

Specialty

According to our 2022 Rx Collaborative Annual Employer Survey, specialty drug management remains a top employer focus with more than 95% of Rx Collaborative employers having ranked specialty drug management as a top priority. Employers expressed similar sentiment the prior year, and we expect this to continue in-line with the overall specialty spend trend.

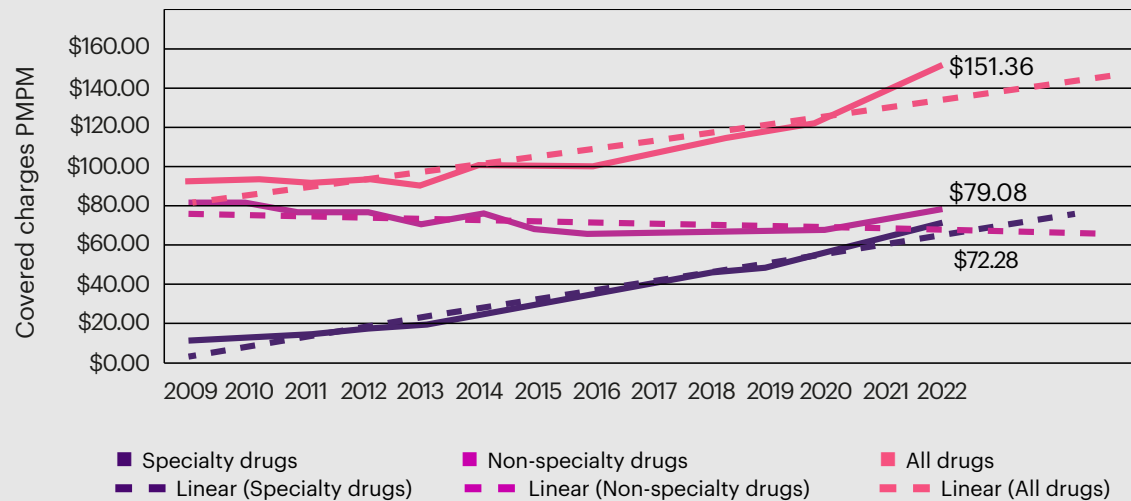
The underlying reason for employers' high interest in managing specialty drug costs is the growing share of pharmacy benefit expenditures made up by specialty. Much of the research and development in the biopharmaceuticals sector focuses on conditions that affect smaller groups of people.

Around two-thirds of all new drug approvals in 2022 were specialty drugs, and a little more than half were approved to treat orphan diseases (conditions affecting less than 200,000 people in the U.S.). Similar approval trends have occurred over the past few years.

Financial and tax incentives motivate pharmaceutical manufacturers to develop drugs for rare diseases, as does market exclusivity, which limits competition for certain periods of time. These incentives have successfully generated innovative scientific advances to help people living with rare diseases that have few, if any, historical treatments.

In other situations, new specialty medications help patients with clinical conditions that may be refractory to existing treatments.

Figure 1: **Cost trends for Rx Collaborative clients**



For example, we continue to see more approvals for dermatological conditions such as atopic dermatitis (eczema) and the respiratory condition asthma. Specialty drugs can help people with moderate or severe forms of these conditions whose symptoms have not responded adequately to traditional treatments, such as topical ointments or inhalers, respectively.

The difference in price between traditional therapies, which are often available as generics, and brand name specialty treatments is significant. For example, Dupixent®, a well-established drug that has been available for treating atopic dermatitis since 2017 and is also approved for treating asthma, is relatively expensive.

The annual maintenance therapy cost with the injectable biologics Dupixent and Adbry® is around \$40,000 per patient per year (before rebates). Two recently approved Janus kinase (JAK) inhibitor drugs, Rinvoq® and Cibinqo®, which are given orally, are priced at around \$60,000 per year. In contrast, a one-month supply of a generic topical treatment for eczema may cost under \$10, while the newly approved topical treatment Opzelura™ is expected to be around \$2,000 for the same time period.

As new specialty drugs come to the market with similar price points, they might replace Dupixent but they are not likely to introduce net-new spending for employers. Rather, the high cost for treating this condition is likely to persist despite competition from new treatments, as we've seen with other conditions that have multiple specialty drug treatment options.

One major caveat to this assumption is how prescribers and patients will react to the oral drugs compared with injectable drugs for treating atopic dermatitis. If the new oral treatments are widely adopted for people who cannot tolerate biologics or who find biologics to be ineffective, there could be new spending introduced by the JAK inhibitors.

From 2021 to 2022, we saw a 6% increase in members utilizing drugs that treat autoimmune conditions and a 9% increase in total prescription volume. This resulted in an 18% increase in gross costs for Rx Collaborative employers and a 37% increase in member-cost share during the same time. However, member-cost share and out-of-pocket spending may be mitigated to some extent by manufacturer-sponsored copay coupons.

The Rx Collaborative continues to prioritize reducing costs where available to balance the need to cover new, innovative, life-changing therapies. Because autoimmune is an important category, WTW is developing a solution to address it in 2023.

Specialty generics and biosimilars

One area where we expect to realize cost savings is a "patent cliff" that experts believe started in 2022 and will continue through the rest of this decade.

Many blockbuster products are going off patent, opening the opportunity for generic and biosimilar competition. For example, a top-selling specialty oral cancer drug called Revlimid® started to see generic competition in 2022 from an India-based manufacturer. The generic will only be available in limited supplies at first, which may not lower the overall cost immediately. Larger savings from generic competition are expected in 2025 and 2026 as additional manufacturers can market them.

Predicting the launch date and impact of generics is notoriously challenging due to manufacturing delays, legal disputes and other factors, but in general, generic competition brings overall net costs down. This is great news as we see generic dispensing rates of 83.9% in the Rx Collaborative in 2022.

For non-biologics, generic drugs are an exact copy of their brand drug counterpart. Biosimilars are the generic version of a biologic drug, which, while similar, cannot be an exact copy of the brand innovator due to the inherent nature of the compound.





Other noteworthy generic approvals from 2022 included specialty drugs Gilenya® (\$45 million in total spend in the Rx Collaborative), Xyrem® (\$33 million) and Revlimid® (\$78 million). The introduction of generic alternatives does not always result in immediate price reductions as would be expected in other industries.

For example, consider imatinib, the generic version of the cancer drug Gleevec®. Patients typically take multiple pills per day, and the cost for a generic tablet can range by a hundredfold:

- 100 mg (per each): \$2 to \$107
- 400 mg (per each): \$5 to \$395
- Brand-name Gleevec® ranges from \$110 (100 mg tablet) to \$400 (400 mg tablet).

These types of pricing discrepancies among brands and generic versions of the same drug are the norm — not an aberration. WTW works closely with our vendor partners to ensure employers are paying for — and that employees have access to — the most cost-effective drugs.

In 2022, numerous pharmacy-delivery channel disruptors gained attention for aggressively targeting the high costs of generic pharmaceuticals. Mark Cuban Cost Plus Drug Company, Civica Rx and Amazon are all examples, and they are doing exactly as the name implies: disrupting the status quo. WTW welcomes disruptive innovation, as it has the potential to push the market in new and improved directions. In 2022, we worked closely with our PBM vendor partners to identify how to best take advantage of market dynamics created by innovation.

Employers can take advantage of generics and biosimilars through plan design. For example, charging a higher copay for a brand name drug when a generic version exists can result in dramatic savings for plan sponsors. Consider the earlier Gleevec® example, where the price can range from \$5 per generic tablet versus \$400 per brand name tablet. When taking multiple pills per day over a year, the savings add up. Some of these lower prices may not be accessible through member benefits.

Due to the financial “toxicity” associated with many specialty drugs, pharmaceutical manufacturers offer copay coupons to help members afford their medicine. This can also help members stay on the brand name drug when a generic exists, which results in unnecessary employer expenditures. Employers have a variety of options to address specialty copay coupon cards and can select formularies that reduce the impact of copay cards on plan spend by excluding brands that have generic alternatives. Benefit design and copay accumulator or maximizer programs are also available. In 2022, employers used a variety of options to manage copay coupon use.

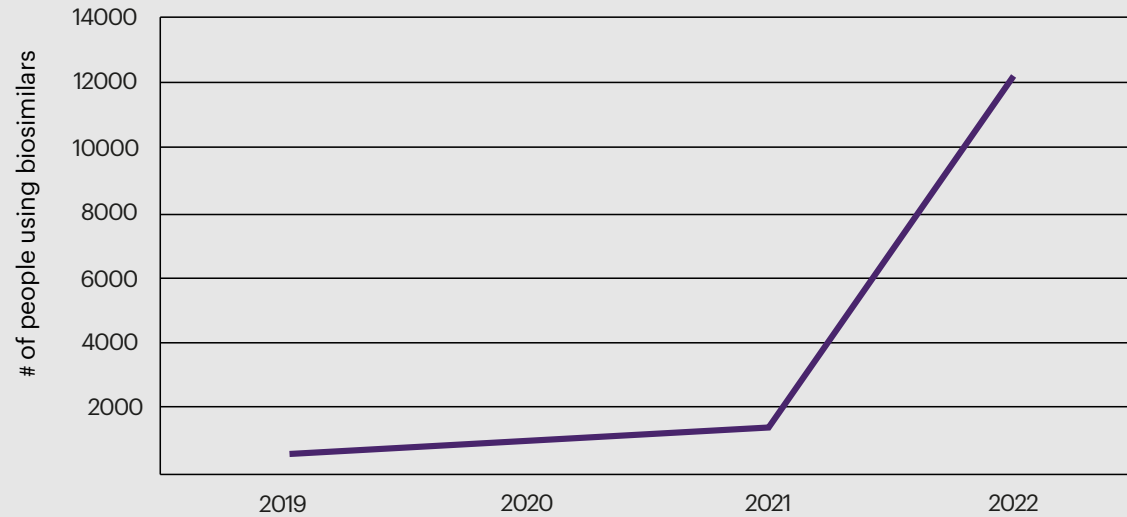
The vast majority (80% to 90%) of Rx Collaborative member employers offer a formulary with drug exclusions, which can be helpful to removing higher-cost brand drugs when generic alternatives are available. The majority of employers (over half) also have benefit designs that incentivize members to use generic drugs instead of the brand-name drugs when available and have implemented programs that change how copay coupon cards apply to members’ deductibles and out-of-pocket maximums. In 2022, around half of all Rx Collaborative clients had a copay maximizer or accumulator program in place.

Employers can also support the use of biosimilars. In 2022 there was a heightened interest in doing so in preparation for the first Humira biosimilars to enter the market at the beginning of 2023. We continue to see year-over-year increases in the utilization of biosimilars, and with the first insulin biosimilars reaching formularies in 2022, the uptick in utilization was impressive.

The introduction of interchangeable insulin biosimilars drives competition and lowers net costs for those with diabetes who use insulin. The introduction of biosimilars for Humira ushers in a new era of savings opportunity for pharmacy benefits. Whereas previously marketed biosimilars supported conditions such as cancer and were typically infused and covered through the medical benefit, the anti-inflammatory/autoimmune drugs are a top class for most plan sponsors.

The Rx Collaborative is a champion for biosimilars and in a unique position to assist with their uptake when covered through the pharmacy benefit. We developed a communication and education strategy for employers in 2022 and will continue to offer this type of support to employers going forward.

Figure 2: **Biosimilar uptake by utilizing members: 2019 – 2022**





Governance

Rx Collaborative members have access to valuable group services, superior contracting terms and consultants with extensive pharmacy benefit management expertise. Our annual audit initiative reviews financial contract terms and assesses PBM programs and capabilities that support clients' goals for efficient program delivery, high performance and risk management.

We completed the 2022 annual audits in December and shared the results with Rx Collaborative employer clients. In the future, we will continue to leverage audit results in next-generation negotiations, adding value through more targeted contract language. WTW pharmacy consultants can also provide additional strategies to ensure the plan is delivering on its goals and meeting, if not surpassing, expectations.

The Rx Collaborative audits provide a solid foundation for effective pharmacy management. However, at least once per contract term, Rx Collaborative clients should consider supplementary plan-specific reviews targeting benefit rules, eligibility and accumulators. Plan-specific audits are particularly important when new plans or significant plan design changes are implemented. Clients may be able to use PBM credits to fund these projects.

Our governance value proposition



Annual audits were completed in 2022, and results were delivered to clients in December. The initiative includes a group-level claim audit, rebate review and operational assessment.



Group-level claim audit

The Rx Collaborative audit team performs this audit. WTW contracted with Caribou Systems, a firm specializing in pharmacy claims audits, to support the process.

Purpose

- Verify that discounts and dispensing fees are applied correctly
- Confirm Rx Collaborative proprietary definitions and reconciliation logic are applied correctly

Findings

- Overall, PBMs adhered to contract terms
- Types of errors found include client-specific setup issues that resulted in payments to some clients



Rebate review

WTW contracted with KPMG to conduct the audit

Purpose

- Confirm 100% of rebates paid to PBMs from five manufacturers were passed through to sample clients
- Confirm PBMs adhered to rebate reconciliation provisions

Findings

- Overall, PBMs passed through 100% of rebates collected from the drug manufacturers or through a group purchasing organization



Operational assessment

Purpose

- Review all aspects of PBM operations to determine PBMs' effectiveness in service delivery
- Conduct a virtual visit to a key facility to focus on one PBM service aspect

Findings

- Overall, PBMs have the operational processes in place to provide a high level of service to Rx Collaborative clients
- The assessment highlighted opportunities, such as making improvements to streamline the member experience and offering enhanced reporting to support client decisions on clinical programs

The Rx Collaborative audit team consists of seasoned pharmacy and audit specialists who understand Rx Collaborative pricing terms, know how prescription-claim transactions should adjudicate and have deep experience with how PBMs should perform to provide maximum value to clients.



Looking ahead: 2023 and beyond

The U.S. is well known for generating innovative therapies for common and rare conditions — a reputation that has required both funding and talent to earn. The government-funded National Institutes of Health is the world’s largest public funder of biomedical research, while strong pharmaceutical patent laws support research and development by helping companies protect their innovations and recoup their investments. But when those patents expire, other companies can leverage existing innovations to produce less expensive copies, bringing blockbuster drugs to market at a lower cost — and driving prices down for consumers.

Since biosimilar drugs entered the U.S. market in 2015, we’ve seen generic versions of numerous blockbuster drugs become available following patent expirations. Over the next few years, this trend will accelerate, causing some of the world’s best-selling drugs to face competition from generics and biosimilars in very high-spend categories, ranging from rheumatoid arthritis to breast cancer.

WTW is well positioned to help employers take advantage of these market trends, supporting them through a variety of resources from pharmacy benefit designs to employee education. We have done our due diligence to identify PBMs and point solutions with best-in-class capabilities for drug spend management. We work diligently with our Rx Collaborative PBM partners to plan ahead, using both clinical and financial lenses to manage employer and employee drug costs within the extremely complex U.S. healthcare system.

In an industry accounting for nearly one-fifth of the U.S. GDP, there is constant consolidation and disruption, with new entrants coming to the market each week. WTW is ahead of the curve on the latest shifts happening in the market to identify solutions that can help Rx Collaborative employers offer excellent pharmacy benefits while managing costs.

WTW conducts requests for proposals and information on an ongoing basis to identify solutions that provide the most value to our clients. We are seeing more organizations aiming to disrupt the existing pharmacy channel with the intent of lowering costs, and while this can push historically entrenched stakeholders into offering new and innovative programs, it can also cause member confusion. WTW works to ensure the market continues to evolve to improve employer-sponsored benefits, with lower costs and better health outcomes.

Some of the key areas we will focus on in the coming years include:

- Developing innovative contracting models to account for specialty generic and biosimilar pharmaceuticals
- Incorporating digital therapies and virtual medicine, including virtual prescribing and drug delivery, into existing healthcare provisions
- Collaborating with financial and insurance entities to provide unique ways of covering the cost of cutting-edge gene therapies and cures
- Verifying the best vendors to offer wraparound solutions for pharmaceuticals, including holistic weight-management programs
- Making use of data and emerging analytics technologies to identify opportunities to improve healthcare at lower costs

- Providing employers with the most recent information on new treatment innovations, along with their costs and impacts on plan and member expenditures
- Developing innovative ways to cover new types of healthcare, including prescription digital

therapeutics and prescription psychedelics for mental healthcare

- Remaining in a leading position to track and plan for upcoming legislation that affects pharmacy benefits

With our global presence and cross-functional collaboration capabilities focused on analytics, actuary, compliance, medical benefits, diversity, equity and inclusion, WTW will continue to develop new solutions to stay ahead of the rapidly changing environment in the years to come.



Pharmacy-related legislation

In 2022, legislation in the pharmacy benefit space was very active, and it shows no sign of slowing down in 2023. There is ongoing focus on anti-PBM legislation, particularly as it relates to ERISA plans.

Growing legislative and regulatory efforts are targeting ERISA plans' preemption protection. Three major federal court cases have dealt directly with ERISA preemption and various state laws:

- The Rutledge v. Pharmaceutical Care Management Association Supreme Court case decided in December 2020 opened the door for future challenges on ERISA plans, preemption protection.
- In November 2021, the 8th Circuit Court of Appeals decision in PCMA v. Wehbi further expanded the erosion of ERISA preemption.
- The April 2022 PCMA v. Mulready case is pending appeal with the 10th Circuit Court of Appeals.

Anti-PBM legislation is showing increasing momentum throughout the U.S., and though many state legislative bodies are back in session, they typically adjourn by June.

In 2022, over 1,100 pharmacy-related bills were introduced, a trend that's likely to continue in 2023, as over 300 bills were introduced across all states in January alone. Many of the bills include the following components as part of the proposed legislation:

- Restrictions or elimination of preferred pharmacy networks
- Restrictions on home-delivery/mail-order benefits
- Restrictions or elimination of specialty-pharmacy networks
- Mandated reimbursement (pricing) and dispensing fees
- A focus on accumulator laws and the drug importation issue

The recent court decisions show that the one-time broad ERISA preemption status of state laws that could interfere with the uniform administration of ERISA plans is in question. The preemption is eroding, and based on the activity in state legislative houses, that erosion seems likely to continue.

Federal regulatory matters affecting pharmacy

Certain pharmacy-specific federal laws and regulations directly impact employer groups, including (but not limited to);

- Consolidation Appropriations Act (prescription drug data collection reporting requirements)
- Inflation Reduction Act
- Mental Health Parity and Addiction Equity Act
- COVID-19 Public Health Emergency (ending May 11, 2023)

Looking forward, a multipronged approach is needed to successfully build, develop and create strategic partnerships to manage the ever-changing pharmacy legislative landscape.

WTW will continue to monitor and track state and federal pharmacy legislation issues for the remainder of 2023 and into calendar year 2024. We realize these are critical areas for our clients and look forward to continued collaboration in the ever-changing pharmacy regulatory space.



About WTW

At WTW (NASDAQ: WTW), we provide data-driven, insight-led solutions in the areas of people, risk and capital. Leveraging the global view and local expertise of our colleagues serving 140 countries and markets, we help you sharpen your strategy, enhance organizational resilience, motivate your workforce and maximize performance. Working shoulder to shoulder with you, we uncover opportunities for sustainable success — and provide perspective that moves you. Learn more at wtwco.com.



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