



Rx Collaborative

2024 Annual Report to Employers

wtwco.com



Letter from
leadership

Our value
proposition

Financial

Governance

Service
delivery

Insights

Clinical
management

2025 and
beyond:
looking ahead

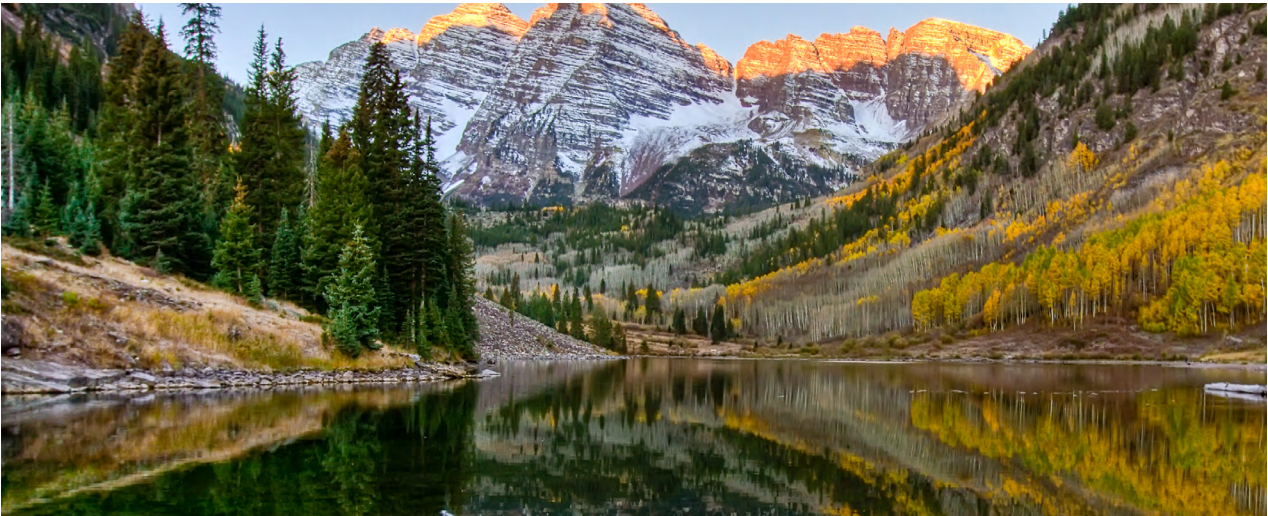
20 year
anniversary
timeline



The Rx Collaborative is the largest pharmacy coalition in the U.S. We represent over 420 employers with approximately \$8 billion in drug spend and 5.3 million members. Our collective purchasing power and expertise enable us to provide you with financial savings, transparency in pricing, pharmacy benefit manager (PBM) oversight and innovative programs and services unsurpassed in today’s marketplace.

TABLE OF CONTENTS

1/ Letter from leadership	3
2/ Our value proposition	5
Financial	7
Governance	8
Service delivery	10
Insights	11
Clinical management	12
3/ 2025 and beyond: looking ahead	18
Pharmacy legislation update	19
4/ 20 year anniversary timeline	21



Letter from leadership

Dear members,

As we reflect on the past year, we do so with immense pride and deep gratitude for the journey we’ve shared. In 2024, we celebrated the 20th anniversary of WTW’s Rx Collaborative. This significant milestone not only highlights how far we’ve come, but also reaffirms our unwavering commitment to reshaping the pharmacy benefits landscape for the better. These achievements are documented in our [20 year anniversary timeline](#).

Since day one, our mission has been clear: disrupt an opaque marketplace, improve the member experience, and advocate for greater transparency and savings on behalf of employer plan sponsors. At the heart of this mission is our belief that empowering employers with data-driven insights and bold solutions leads to better outcomes for both their organizations and their people.

Over the past two decades, we’ve made meaningful progress. From unlocking significant cost savings to improving access to essential medications and advancing transparency for an equitable system for all stakeholders, our achievements are a testament to what’s possible through the power of collective action and the dedication of our members.

As we celebrate this anniversary, we do so not by standing still, but by pushing forward. Our commitment to innovation and advocacy remains undimmed, and in 2024 helped us achieve the following:

- **Launching a new pharmacy overlay solution** to help lower costs for both employers and members by identifying clinically appropriate, cost-saving opportunities.
- **Negotiating alternative offerings with PBM partners** for members of the Rx Collaborative — introducing pricing models beyond traditional AWP-minus approaches, and incorporating benchmarks such as NADAC to bring pricing closer to true acquisition costs.
- **Working closely with employer clients** to manage costs in the GLP-1 therapy category (for both diabetes and weight loss), and challenging vendor partners to deliver flexible solutions that meet both organizational goals and member needs.
- **Providing strategic guidance on pharmacy regulations and litigation** to help clients understand emerging state laws and legal developments, while supporting fiduciary best practices.

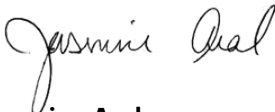
Through it all, our focus remains the same — delivering value, championing transparency, and advocating for policies that benefit employers and the lives they impact.

As we look to the future, we’re energized by what lies ahead. We’re also confident that, with your continued partnership, the next 20 years will be even more transformative.

Thank you for your trust, your engagement, and your ongoing commitment to this work.

Here’s to another two decades of progress, partnership, and innovation.

Warm regards,



Jasmine Aral
Rx Collaborative Team Lead



2024 at a glance

97%

of surveyed employers
would recommend the
Rx Collaborative

5.3 million
members served

52 million
prescriptions filled

\$11.4 billion in drug spend*

*Total gross drug spend including plan and member costs is \$12.5 billion.



Our value proposition

How the Rx Collaborative delivers real value

The Rx Collaborative was founded on a simple belief: employers' prescription drug costs should be transparent. For over twenty years, we've been a force for change in the pharmacy industry, ensuring employers maximize value for their pharmacy benefits while increasing transparency.

A leader in pharmacy benefits

We offer employers a choice of purchasing options through partnerships with Express Scripts, CVS Health, Optum Rx, and Capital Rx. Our expertise helps employers navigate a complex and rapidly evolving industry, ensuring they secure lower pharmacy costs and greater transparency.

Expertise and insight

With a team of over 100 financial and clinical pharmacy experts, we provide unmatched insight into market trends, pricing strategies, and regulatory challenges that impact employer pharmacy plans.

Helping employers navigate regulatory challenges

New laws and regulations at both state and federal levels are making the management of pharmacy benefits increasingly complex. The Rx Collaborative helps employers stay ahead of these changes with strategies that protect their bottom line and assist with meeting their fiduciary duties.

- **Managing rising costs**

Expensive drugs – such as GLP-1 treatments for weight loss and diabetes – are driving up costs. Our financial model forecasts therapy-specific trends to better project expected costs. Our negotiations of PBM weight loss programs ensure condition management while controlling costs.

- **Tackling generic specialty pricing disparities**

Pricing disparities on generic specialty medications are top of mind due to recent investigations and lawsuits. We negotiate better pricing for select specialty generic medications, aligning them more closely with the cash-pay market and negotiating best-in-class terms for PBM programs addressing price disparities.

- **Adapting to market and regulatory changes**

Laws like the Inflation Reduction Act (IRA) and the American Rescue Plan Act (ARPA) impact the pharmacy industry and PBM pricing. We secure favorable rebate credit terms, maintaining the financial value of our offerings. We push the PBMs to provide access to low-cost alternatives to high-priced drugs. Employers have the choice of alternative pricing arrangements that incorporate benchmark pricing, provide greater transparency, and bring drug and acquisition costs closer together.

- **Preventing drug reclassification issues**

Some PBMs move medications such as Dupixent® from specialty to non-specialty status mid-year, leading to unexpected price changes. We negotiate market-leading contractual protections that prevent these shifts.



What makes the Rx Collaborative different?

We're not like other pharmacy coalitions, and the way we operate delivers maximum financial value for employers through better pricing and stronger contractual protections.

Transparent fee structure

Our only revenue source is the annual participation fee. Unlike other coalitions, we do not receive any revenue through PBM contracts, ensuring all financial savings go to employers.

Better PBM contract terms

As the largest pharmacy coalition in the U.S., our size allows us to negotiate stronger contracts with PBMs – delivering better pricing, market checks, and reconciliation terms that mid-size employers wouldn't be able to secure on their own.

Employer-specific reconciliations

Unlike other coalitions that reconcile guarantees across their entire employer book of business, we ensure each employer is reconciled individually, meaning employers receive 100% of their overperformance based on their specific utilization.

Independent financial analysis

Our financial team operates separately from the consulting team, with no sales incentives or commissions tied to employer decisions. We remain impartial to PBM selection, ensuring recommendations are purely data-driven.

Full data access

Employers receive full access to their contract, data, and financial terms after signing an NDA with WTW.

The bottom line

The Rx Collaborative helps employers control pharmacy costs, stay ahead of regulatory changes, and secure the best possible PBM contracts — all while maintaining full transparency and allowing plan autonomy independence.

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WTW is a proactive and strategic business partner who understands the Rx landscape very well and articulates it to us in a very understandable way.

J&J Snack Foods Corp

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Financial

How we're helping employers save on pharmacy costs

In today's evolving pharmacy landscape, costs are rising, and new treatments are more expensive than ever. Employers need to stay on top of these changes to keep their benefits affordable. We work with four leading PBMs to negotiate the best pricing and contract terms, helping companies successfully manage the cost of their pharmacy benefits while protecting their bottom line.

Annual PBM negotiations

Every year, we review industry trends, audit results, and use our procurement insights to negotiate the best possible PBM terms. This process ensures employers get fair pricing and protection from unexpected market events or PBMs' tactics. Our size and expertise allow us to push for competitive pricing and transparent contract terms that employers can audit.

Competitive PBM arrangements

Employers can trust that their PBM agreement remains market-competitive. At the end of each contract term, we provide a renewal analysis that includes offers from multiple PBM partners to ensure employers select the PBM that aligns with their priorities. Through our negotiations, we secure lower fees for clinical programs and other PBM services that individual companies could not likely access on their own. We successfully rebalance discount guarantees for brand and generic drugs to better align rates with the cash-pay market. These improvements mean better, more transparent pharmacy arrangements for employers that are focused on actual acquisition costs.

How we deliver value

✓	Exclusive pricing for our clients
✓	Simplified contracts with a pre-negotiated contract template vetted by our pharmacy experts
✓	Annual updates to pricing and contract language to reflect market trends, the latest drug launches, and new legislation
✓	10% to 14% average cost reductions compared to their incumbent's renewal offer
✓	4% to 9% estimated cost reduction for over 120 clients up for renewal
✓	1% to 5% annual cost reductions for over 290 existing clients

Governance

Keeping employers' pharmacy plans in check

Our annual audits help employers stay compliant and get the best value from their pharmacy benefits. Each year, we review contract terms including discounts, dispensing fees, and rebates — and assess how well PBMs are performing.

Our audit team consists of pharmacy and auditing experts with a deep understanding of how prescription claims should be adjudicated. They make sure PBMs are acting in the best interests of employers, and use their findings to strengthen future contract terms.

The 2024 audits were completed in early 2025, and we shared the results with our employer clients. These insights are a powerful resource in contract negotiations, and help us deliver more precise and favorable terms for our members.

Employers should check with their WTW pharmacy consultant to see if a plan-specific audit covering benefit rules, eligibility, and cost-sharing is needed. This is particularly important when implementing new plans or making major changes. Some employers may be able to use PBM credits to fund these additional audits.



Our governance value proposition

Annual audits completed, and results shared in Q1 2025

This comprehensive initiative includes a group-level claims and rebate audit, and an assessment of PBM operations.

Group-level claims audit

This was performed by the Rx Collaborative audit team with support from Caribou Systems, who specialize in pharmacy claims audits. This review covered calendar year 2023.



Purpose

- Ensure discounts and fees are applied correctly.
- Confirm that our proprietary definitions and reconciliation logic are applied correctly.

Findings

- Overall, PBMs adhered to their contract terms.
- The auditor reviews the reconciliation process for sample clients to ensure each claim type and drug are accurately reflected based on the contract terms. In some cases, the PBMs did not accurately apply the reconciliation provisions, leading to a recalculation of the guarantee.
- Setup issues were identified in some cases, resulting in payments to the affected clients.

Operational assessment

Purpose

- Determine the effectiveness of PBMs' service delivery to our customers.
- Identify operational issues that could lead to member and employer service disruption.
- Compare PBMs' processes and procedures with industry standards and best practices.
- Conduct a review of PBMs' innovations and recent enhancements through a site visit.



Findings

- PBMs' operational processes are providing a high level of service to our clients and their members. They meet or exceed industry standards in PBMs' core operational areas.
- There are opportunities to further innovate and improve service to employers and their members.

Rebate review

WTW contracted with a national auditing firm (KPMG or BlackPoint Consulting, depending on the PBM) to conduct the audit. The review period was calendar year 2023.



Purpose

- Confirm that 100% of the rebates paid to PBMs by five manufacturers were passed through to sample clients.
- Confirm that the PBMs adhered to their contractual rebate guarantee provisions.

Findings

Overall, PBMs correctly adhered to the rebate contract terms by calculating the rebate guarantee accurately and passing through 100% of the rebates collected from drug manufacturers. Any discrepancies were detailed in the report shared with clients in Q1 2025. These discrepancies included:

- Pass-through: Some PBMs invoiced the manufacturer incorrectly by applying rebate rates that did not align with the client's formulary or including claim(s) for ineligible products.
- Guarantee: Some PBMs categorized some claims incorrectly, or applied incorrect rebate rates in the calculation.

Why this matters

By keeping PBMs accountable through audits, employers get:



- Stronger contract terms
- Better pricing and rebate transparency
- Fewer errors that impact costs
- A pharmacy plan that truly works for them

We're committed to helping employers reduce pharmacy costs, ensure compliance, and improve benefits for their employees, year after year.



Service delivery

Delivered through a clearly defined joint service model with four PBMs, our offering seamlessly integrates WTW's strategic expertise with the operational excellence of industry-leading PBM partners.

Our service delivery value proposition



Expert consulting and pharmacy management

Clients benefit from the full strength of the WTW pharmacy community's deep immersion in the pharmacy benefits landscape. We provide timely market intelligence, insight into emerging trends, regular regulatory updates, and comprehensive due diligence support to inform smarter decision-making.



Rx Collaborative joint service model

Our approach is rooted in partnership. Through a collaborative service model between WTW and participating PBMs, we deliver consistent, high-quality client support. This partnership is underpinned by a shared account management playbook co-developed and endorsed by both PBM and WTW's account teams. Updated annually, the playbook formalizes best practices, drives operational alignment, and serves as the foundation for ongoing training and performance management.



Implementation oversight

We take a hands-on approach to implementation and service delivery. Client needs are proactively monitored through structured dashboards, regular leadership debriefs, and robust annual service reviews, all of which have been designed to ensure accountability and continuous improvement.



Effective issue resolution

Our strong, collaborative relationships with PBM leadership allow us to advocate on behalf of our clients quickly and effectively. A formal, streamlined escalation process ensures that issues are addressed swiftly, with the appropriate resources engaged to drive timely and effective resolution.



Unique performance guarantees

We hold our PBMs to the highest standards, continuously pushing for meaningful, measurable performance guarantees, and accurate assessments of clients' and members' satisfaction. Each year, we negotiate increasing levels of dollars-at-risk to ensure service delivery meets expectations.



Insights

In today's rapidly evolving pharmacy landscape, accurate and timely information is essential for making confident, strategically sound decisions. Whether it's navigating the drug pipeline, managing patent expirations, evaluating point solutions, or staying ahead of legislative changes, members of the Rx Collaborative benefit from consistent, high-quality insight and analysis.

We keep our clients informed through monthly newsletters, quarterly calls, and our annual employer meetings. Each is designed to deliver updates on the clinical, legal, and market developments that matter most.

These communication channels go beyond information-sharing. They offer practical guidance, highlight emerging best practices, and provide actionable strategies that empower employers to tackle complexity head-on and continuously enhance the value of their pharmacy programs.

Topics we've addressed in 2024

Throughout 2024, Rx Collaborative members received expert guidance and real-time updates on the most pressing issues shaping the pharmacy benefits landscape, including:

Regulatory and market developments

- Key FDA updates, including new drug approvals and supply shortages
- The removal of the Average Manufacturer Price (AMP) cap and its implications
- Evolving legislative and regulatory developments impacting pharmacy benefits

Pipeline and innovation

- Upcoming patent expirations and their effect on plan strategy
- Breakthrough approvals, including a new therapy for a common liver disease
- Trends in biosimilars, cell and gene therapies, and their adoption potential
- The expanding role of psychedelics in mental health treatment

Employer strategy and plan design

- Innovative employer approaches to pharmacy plan design
- Measuring the ROI of clinical programs
- Navigating the growing landscape of digital health and point solutions
- Evaluating direct-to-consumer pharmacy models

This diverse range of topics reflects our commitment to equipping members with the insights they need to make informed, future-focused decisions.



Clinical management

Clinical overview

2024 was a highly active year for pharmacy benefits. Employers faced tough choices with clinical and financial consequences. Key issues included whether to cover weight loss drugs, promote the use of biosimilars over brand-name drugs, and respond to lower-priced drug options outside of the formal benefit. Employers looked for flexibility, which often created friction around drug rebates, pricing, access, and vendor management.

Weight loss drugs and rebates

Covering GLP-1 weight loss drugs such as Wegovy® and Zepbound® posed major cost challenges for employers. These drugs are recommended to be used with a reduced-calorie diet and exercise, and can cause side-effects that lead to discontinuation. They are injectables that must be titrated, which often requires patient education. Counseling and lifestyle support may help improve results.

Over 40 vendors offer support for GLP-1 use, and employers spent much of 2024 evaluating them. However, requiring members to join a support program or limiting prescribing to certain

providers often meant losing rebates. Employers had to choose between broader access (with more generous rebates) or tighter controls (with fewer or no rebates).

Biosimilar management

Biosimilars offer similar safety and effectiveness as brand drugs, and at lower cost. However, they come with fewer rebates. Brands like Humira® offer large rebates, complicating the financial analysis. To realize savings, most members must shift to biosimilars.

In 2024, biosimilars such as adalimumab gained ground. Humira prescriptions dropped by 50% from 2023. At the same time, newer branded biologics like Skyrizi® and Rinvoq® — which have no biosimilar versions — saw rapid growth for Rx Collaborative members:

- Skyrizi:**
- 2024: 21,262 claims / 6,610 users
 - 2023: 15,021 claims / 4,874 users
 - 2022: 9,587 claims / 3,189 users

Rinvoq:

- 2024: 35,258 claims / 6,113 users
- 2023: 13,201 claims / 2,475 users
- 2022: 7,166 claims / 1,395 users

Biosimilars are now available for most autoimmune conditions, and typically cost less than brand-name drugs. Employers tried to prioritize biosimilars, but doing so often triggered a loss of rebates on other brand-name drugs, increasing overall net costs.

Rebates are a key tool for reducing drug costs in employer plans. They're maximized through formulary and utilization management, including step therapy (requiring a trial of one drug before approving another).

The first step in designing these strategies is determining clinical appropriateness. In 2024, it was clear that coordinating weight-loss vendors with drug therapy and prioritizing biosimilars made clinical sense. However, both approaches created rebate-related challenges for employers.



Pricing and drug access

Drug access through direct-to-consumer (DTC) pharmacies and specialty vendors offering lower prices created more financial friction. This was especially true for generic specialty drugs. Media coverage and lawsuits highlighted the issue.

Compounded GLP-1s became popular among people without coverage, or during shortages. Employers looked to support access, but plan designs and IT limitations were barriers to implementation. Clinical oversight becomes difficult when members’ drugs process outside of the pharmacy benefit. For example, DTC-sourced drugs may not be checked against a member’s other prescriptions, raising safety risks. Today’s platforms don’t track both on- or off-benefit drug use well.

Vendors

Point-solution vendors for conditions like fertility, diabetes, and obesity had a growing impact on pharmacy benefits. These vendors often work alongside – or influence – drug therapy. In many cases, they measure success by medication adherence or reductions in use.

In 2024, vendors were in high demand. Cardiometabolic solutions to address diabetes and obesity were top drivers of this trend. To achieve the best outcomes, vendors need to integrate with members’ pharmacy benefits and have access to eligibility, claims, or prior authorization data. However, reductions in rebates, integration, and maintenance fees created new financial challenges, despite the demand.

Flexibility and oversight

Employers focused on solutions that balanced cost control and access. They leaned on PBMs for pipeline management, clinical programs for utilization oversight, and stop-loss coverage to manage financial risk from high-cost therapies.

To reduce employee burden, employers:

- Automated prior authorizations
- Used cost transparency tools
- Communicated drug coverage changes through multiple channels

WTW supported Rx Collaborative employers with data, analytics, and modeling to guide decisions. By tracking trends over time, we offer insights into near-and long-term implications from a clinical perspective.



Key 2024 Rx Collaborative cost trends

Total pharmacy benefit costs hit
\$12.5 Billion, up 14%



Non-specialty drug costs rose 16%, while specialty costs rose 12%



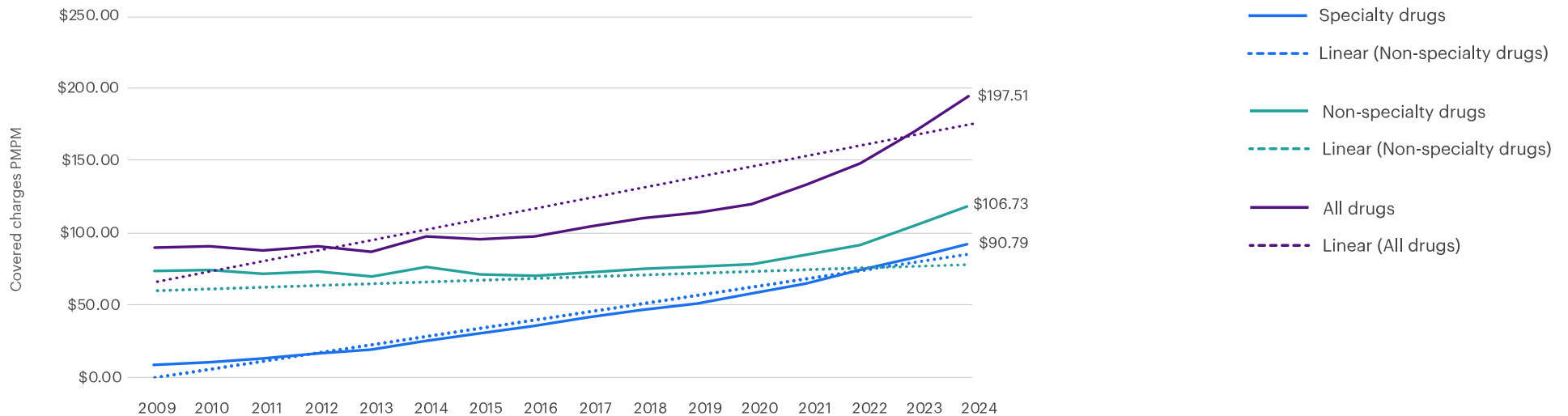
Member count grew 0.5%, but prescription volume rose 3%



54%

of Rx Collaborative members used their pharmacy benefit, averaging **18 prescriptions each**. This was unchanged from 2023

Cost trends for Rx Collaborative clients



Reducing cost trend

Over 50 biosimilars are FDA-approved, including 10 for Humira. Once, Humira’s high use and strong rebates allowed PBMs to offer generous guarantees. However, PBMs underestimated biosimilar uptake in 2024, which impacted rebate earnings.

PBM’s are now trying to:

- Protect rebate guarantees promised to employers
- Promote low-cost biosimilars to members

Rx Collaborative PBM partners offer formularies that include both Humira and its biosimilars. However, availability varies by PBM, depending on drug manufacturer contracts, and which drugs offer the lowest net cost. Some PBMs keep Humira alongside both high and low-WAC biosimilars, while others remove Humira entirely to steer members toward biosimilars.

Each year, brand-name drug patents expire, and new generics enter the market. In 2024, the first GLP-1 generic, Victoza®, was approved for diabetes. However, Victoza requires daily injections, whereas more commonly used GLP-1s only need weekly doses. For this reason, it’s not expected to significantly impact diabetes or weight-loss spending. Still, it adds another option for members.

Employers reviewed their pharmacy benefit plans in 2024 in response to market shifts and new regulations. The IRS issued guidance allowing preventive coverage of OTC oral contraceptives, condoms, and continuous glucose monitors (CGMs) under group health plans.

In the Rx Collaborative:

- 65% of employers with high-deductible plans offer a preventive drug list. 21% offer drugs on this list at \$0 cost share
- 82% of employers cover CGMs

Specialty drug spend continues to rise due to both cost and increased use. The pipeline is heavily weighted toward specialty drugs – three-quarters of 2024 FDA new drug approvals were in this category. Most Rx Collaborative employers manage specialty drugs with strong clinical oversight, including prior authorization and formulary controls.

Employers also explored better ways to manage medical specialty drugs. This included site-of-care reviews and steerage programs – helping members access treatments in lower-cost settings like the home or doctor’s office instead of hospitals.

Two-thirds of employers also used copay maximizer programs to lower plan costs and provide \$0 out-of-pocket options for members on select specialty drugs.



Increasing drug trend

Drug pipeline and top drug spend

The FDA approves about 50 new drugs and biologics each year, and expands the approved uses of over 100 existing ones. These changes can significantly affect employer-sponsored pharmacy benefits. Rx Collaborative monitors the pipeline closely to help employers stay ahead.

Key 2024 drug approvals

- **Rezdiffra™** (March 2024): First approved treatment for Metabolic Dysfunction-Associated Steatohepatitis (MASH) in patients with liver fibrosis. MASH affects up to 6% of U.S. adults. Approval followed over a decade of failed trials.
- **Ohtuvayre™** (June 2024): First inhaled Chronic Obstructive Pulmonary Disease (COPD) drug with a new mechanism of action in over 20 years.
- **Dupixent** (September 2024): First biologic approved for treating COPD with inflammation. Dupixent has gained new indications annually since its initial approval in 2016.
 - **Dupixent Rx Collaborative utilization:**
 - 2024: 78,923 claims / 13,101 users
 - 2023: 64,131 claims / 10,279 users
 - 2022: 49,188 claims / 7,741 users
- **Cobenfy™** (September 2024): First new class of antipsychotics in decades. May avoid weight gain and other side-effects, but lacks long-term data and head-to-head studies.
- **Wegovy** (March 2024): Approved to reduce cardiovascular events in adults with obesity or overweight and heart disease.
- **Zepbound** (December 2024): Approved to treat moderate to severe obstructive sleep apnea (OSA) in adults with obesity.

- **Kisunla™**: Third Alzheimer’s drug in a new class aimed at slowing disease progression.
- **Winrevair™**: First new treatment for pulmonary arterial hypertension in more than a decade.
- **Gene therapies**: Five approved in 2024 (same as 2023 and 2022). These target rare diseases.
 - As of 2024, 17% of Rx Collaborative clients have paid gene therapy claims.

Some drugs treat conditions with no prior options (e.g., Zepbound for OSA), while others target conditions like COPD and schizophrenia, which already have lower-cost generics. For GLP-1 drugs, new approvals complicate coverage decisions. Some employers cover them for both weight loss and expanded indications — others only cover the latter, or not at all.

The pipeline continues to drive spending, offering improved therapies that often come at a premium price.

Top ten conditions and drug spending

Rank	Drug name	Indication
1	Wegovy	Obesity
2	Ozempic®	Diabetes
3	Mounjaro®	Diabetes
4	Humira	Autoimmune
5	Stelara®	Autoimmune
6	Skyrizi	Autoimmune
7	Zepbound	Obesity
8	Dupixent	Inflammatory
9	Rinvoq	Autoimmune
10	Jardiance®	Diabetes

Cardiometabolic drugs (obesity and diabetes) and specialty biologics for inflammatory and autoimmune conditions (e.g., eczema, arthritis, GI disease, psoriasis) dominate top drug spend.

2024 was the first year that cardiometabolic drugs surpassed autoimmune drugs in total spend for the first time. Humira was the top drug from 2018–2023, and Stelara consistently ranked #2 or #3.

In 2024, semaglutide and tirzepatide (the active ingredients in Wegovy, Ozempic, Mounjaro and Zepbound) accounted for \$2 billion in annual spending across the Rx Collaborative.





Benchmarking and other trends

Employers collaborate with point solution vendors to offer a best-in-class member experience, improve health outcomes, and reduce healthcare costs. According to WTW’s 2024 Best Practices in Healthcare Survey, 83% of employers offer at least one point solution vendor. In 2024, employers prioritized using data to evaluate the effectiveness of vendors. 43% were doing so to a very great or large extent. Another 34% did so to a moderate extent.

Overlay vendors drive down plan and member costs by identifying lower-cost alternatives, and guide prescribers and members to switch.

Overlay solutions and clinical condition vendors offer return on investment through:

- Hard savings (visible in claims data, e.g., reduced drug use)
- Soft savings (longer-term benefits, e.g., lower heart attack risk from weight loss)

As digital health tools mature, employers want better measurement of vendor performance. Cost impacts are still uncertain, especially in fast-changing areas like weight management.

GLP-1 program outcomes in 2024 were hard to measure due to:

- Limited time since program launch
- Drug shortages
- Shifting coverage policies
- Evolving prescribing practices
- Changing FDA-approved uses

The long-term cost and health impacts of GLP-1 drugs are still emerging. Much of their potential lies in reducing chronic disease risks (e.g., diabetes, hypertension, or cancer). The Rx Collaborative is focused on this area as it develops, and continues to closely monitor this space.



2025 and beyond: looking ahead

Employers design pharmacy benefits to provide access to breakthrough treatments that can manage or cure diseases. As pharmaceutical innovation advances, costs are likely to rise. The challenge to employers will be to maintain access to high-quality therapies while keeping them affordable. Employers must determine which benefits deliver real value in the form of better health, increased productivity, and an enhanced quality of life.

Navigating legislative and financial challenges

With regulations in flux, employers will aim to reduce compliance risk and meet fiduciary duties. This means reassessing plan designs, and exploring new financial models to lower pharmacy costs. For example, promoting biosimilars like Humira and Stelara can offset rising specialty drug prices. These savings will be essential to balance growing spending on GLP-1 drugs.

Adapting to changing business models

As pharmaceutical business models evolve – and new vendors offer pharmaceuticals directly to members – employers must rethink how they work with pharmacy vendors. Drugmakers are now lowering prices for key treatments such as insulin, and launching direct-to-consumer (DTC) models through telehealth and condition management partnerships. In 2024, this included offerings for diabetes, weight loss, vaccines, and migraines.

When DTC solutions deliver lower costs or more convenient options for members, employers may consider partnering directly with manufacturers.

Engaging with point solution vendors

New FDA guidance now allows pharma companies to pair drugs with software that supports medication management, dosing, and adherence. These digital companions could reshape how employers engage with point solution vendors. As drugmakers embrace this model, access to accurate, real-time data will be critical.


The impact of artificial intelligence

AI will speed up drug development, and could raise the cost of new therapies. At the same time, it will drive research, enhance diagnosis and decision support, and improve patient monitoring and self-guided care. It will create efficiencies in fraud detection, prior authorizations and claims processing. Member engagement and enrollment will improve through AI power tools like chatbots and enhanced communications. Ultimately, its success depends on one key principle: good data in means good data out.

Summary

The future of pharmacy benefits will demand a careful balance between enabling access to cutting-edge treatments and managing rising costs. Employers must navigate complex regulations, shifting business models, and digital transformation. WTW will continue to guide employers with smart strategies and data-driven insights. By focusing on high-value, cost-effective care, Rx Collaborative members can improve outcomes and enhance employee wellbeing.

Pharmacy legislation update



Throughout 2024, new pharmacy-related legislation continued to gain momentum at both state and federal levels. Much of the activity was focused on PBMs, with increasing scrutiny of their practices and growing efforts to regulate their role in the drug supply chain.

A major legal question continues to revolve around how far state laws can apply to self-insured health plans, which are typically regulated under the federal Employee Retirement Income Security Act (ERISA). States are actively testing the boundaries of ERISA to hold PBMs accountable for issues affecting access, cost, and transparency.



Key Concerns driving legislative action

Recent proposals have aimed to address growing frustration over PBM practices, with lawmakers formulating responses to a range of concerns. For example, the Pharmacy Benefit Manager Reform Act would prohibit spread pricing, require PBMs to report detailed prescription drug spending and ownership information, and require remittance of all manufacturer rebates and fees to plan sponsors. It would also establish civil penalties for non-compliance, and allocate funding for Centers for Medicare and Medicaid Services and the Department of Labor to enforce these provisions. As for state legislation, the primary objectives of many of these bills include enhancing transparency (e.g., spread pricing), reducing out-of-pocket costs for patients and plans, and ensuring fair and appropriate access to medications.

Other key issues being addressed include the following:

Lack of rebate transparency

PBMs negotiate drug rebates with manufacturers but often do not clearly disclose how much of those savings reach health plans or patients. This lack of clarity has fueled the belief that PBMs are keeping too much for themselves, leaving patients with higher out-of-pocket costs.

Limited access to medications

PBMs can place certain drugs on high-cost tiers or exclude them from formularies altogether, restricting access to potentially important treatments.

Fewer pharmacy choices and shrinking reimbursements

Patients are sometimes steered toward specific pharmacies – which are often owned by PBMs – and smaller or independent pharmacies may receive lower reimbursements, or be pushed out of networks altogether.

Delays in care

Utilization management tools such as prior authorizations can slow down access to needed medications, and place extra burdens on doctors trying to provide timely care.

Federal legislative efforts

On the national stage, lawmakers have introduced measures aimed at pulling back the curtain on PBM operations. The Pharmacy Benefit Manager Reform Act is a key example. If passed, it would:

- Ban spread pricing (where PBMs charge health plans more than they pay pharmacies)
- Require detailed reporting on drug spending and PBM ownership
- Ensure manufacturer rebates and fees go directly to the health plans
- Impose civil penalties for rule violations
- Fund enforcement efforts at Medicare and the Department of Labor

State-level initiatives

States have taken a more aggressive stance, pushing for transparency, fairness, and lower costs. Here’s a snapshot of some notable changes:

- Arkansas outlawed spread pricing entirely, aiming to close the gap between what PBMs charge and what pharmacies receive.
- California adopted a “good faith and fair dealing” standard to hold PBMs to fairer practices.
- Louisiana now bans PBMs from directing patients to their own pharmacies, unless the patient provides written consent.
- Maine requires PBMs to act in the best interests of health plans, bans retroactive payment clawbacks, mandates fair reimbursement for pharmacies, and directs rebates to directly benefit patients or reduce premiums.
- New York enforces a duty of professionalism and fairness on PBMs, with clear ethical standards for their interactions.
- Other states — including Alaska and Pennsylvania — have passed laws excluding PBMs from servicing self-insured plans, challenging ERISA’s protections.

ERISA and the self-insured plan debate

The 1974 ERISA law pre-empts state regulation of self-insured health plans, meaning these plans usually follow federal and not state rules. This creates a divide between fully insured, state-regulated plans, and self-funded ones (federally regulated), leading to inconsistencies in how drug benefits are managed and accessed.

However, states are increasingly testing the limits of ERISA. Their goal is to regulate PBMs that serve self-insured plans and offer patients more consistent protections – especially when it comes to drug pricing and access.

This legal gray area can be costly for employers, as ERISA pre-emption disputes often end up in court. A 2020 Supreme Court ruling gave states some leeway to regulate PBMs tied to self-insured plans. Another case on this topic could reach the Supreme Court in 2025, potentially reshaping how ERISA is interpreted going forward.

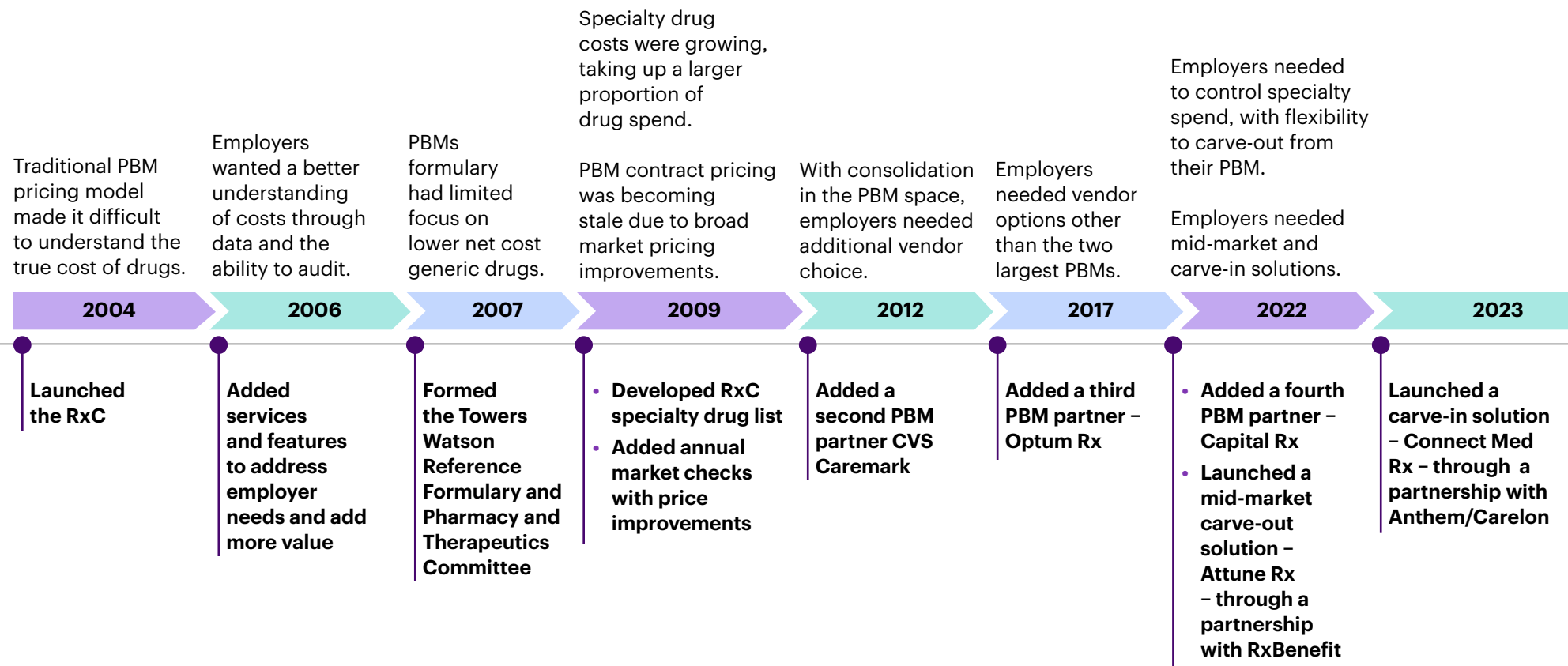
Keeping our clients informed

WTW continues to monitor this fast-changing landscape. As pharmacy regulation evolves, we remain committed to helping our clients navigate its complexities and prepare for what’s ahead.



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