# Pharmacy Benefits Under Scrutiny: A Call for Greater Transparency

Rising prescription drug costs have become one of the biggest financial concerns for employers and employees alike. Every year, prices surge, straining budgets and putting pressure on plan sponsors to find solutions. Meanwhile, pharmacy benefit managers (PBMs) play a critical role in negotiating costs, yet their practices remain largely opaque, often prioritizing insurer profits over consumer savings. Their complex pricing structures obscure true savings, sometimes leaving consumers and employers paying more than necessary.

Regulatory scrutiny is increasing, with calls for reform growing louder. For advisors, these shifts present an opportunity to guide employers through the complexities of pharmacy benefits and advocate for greater transparency and cost-saving strategies.

**Pharmacy benefit managers (PBMs) negotiate drug prices, but a lack of transparency raises concerns about whether savings truly reach employers and employees.**

## WHY TRANSPARENCY MATTERS IN PBM PRACTICES

PBMs negotiate with drug manufacturers to secure rebates and discounts, which ultimately influence what employers and employees pay. While PBMs secure manufacturer rebates, these savings may not consistently reach employers or employees, raising concerns about transparency in pricing. However, these negotiations are often conducted behind closed doors, raising concerns about whether the savings truly benefit consumers. This lack of transparency means employers and employees may face higher costs than expected for prescription medications, despite negotiated discounts. PBM pricing structures are often intentionally complex, making it difficult for consumers to recognize that using discount programs, or even paying cash may sometimes result in a lower cost than their plan-negotiated price.



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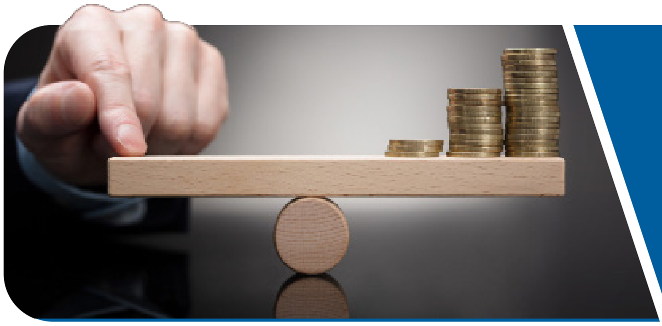
Recent trends underscore the urgency for reform:

- In 2022, U.S. retail prescription drug spending rose by 8.4%, reaching $405.9 billion[1].
- In 2023, spending surged another 11.4%, hitting $449.7 billion[2].
- The soaring demand for weight-loss drugs alone contributed to a 13.5% spike in spending[3].



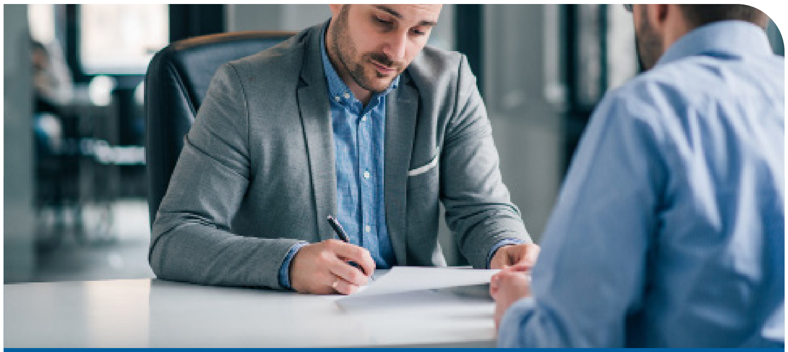
**In some cases, the cash price of a prescription is lower than the PBM-negotiated price. Consumers should always compare before paying**

Specialty drugs, used to treat chronic or rare conditions, now account for nearly half of total prescription drug spending despite making up a small percentage of prescriptions filled[4]. Additionally, patent protections that delay generics, pricing complexities, and inflation-based price hikes continue to drive costs higher. These pressures, coupled with opaque rebate structures, make drug affordability a major concern. Understanding these cost drivers is just one piece of the puzzle. The growing consolidation between insurers and PBMs raises even more concerns about who truly benefits from these arrangements.

## THE PROBLEM WITH VERTICAL INTEGRATION

One of the major issues in the PBM space is the vertical integration of insurance carriers and PBMs. Many large insurers own their own PBMs, raising concerns about conflicts of interest and whether these entities prioritize insurer profits over consumer savings. This structure often results in prescription drug pricing that benefits the carrier more than the employer or plan member.

By controlling both the insurance plan and the PBM, carriers can influence formularies, steer patients toward preferred drugs, and structure pricing in ways that may not always favor cost savings for employers or employees. With fewer independent PBMs in the market, employers and consumers often have little negotiating power, making it difficult to find alternative pricing options.



**Many major insurers own PBMs, raising concerns about conflicts of interest and whether pricing decisions favor profits over consumers.**

## LEGISLATIVE AND REGULATORY CHANGES ON THE HORIZON

Lawmakers at both the federal and state levels are taking action to address growing concerns about PBM practices. The PBM Act, introduced in December 2024, seeks to end PBM and pharmacy co-ownership, requiring a full separation within three years to increase transparency and reduce conflicts of interest.

Federal regulators are also intensifying their scrutiny of PBMs. The FTC is actively investigating PBM practices, examining their impact on drug pricing and competition. In February 2025, U.S. lawmakers held an oversight hearing to address PBMs' role in rising drug costs, with bipartisan concerns over anti-competitive practices and lack of transparency driving renewed calls for reform[6]. Separately, a bipartisan group of lawmakers has requested a Department of Justice investigation into PBMs involvement in opioid rebate structures, citing concerns over pricing transparency and potential links to the opioid crisis[7].

**Congress and federal agencies are increasing scrutiny on PBMs, with proposed legislation, FTC investigations, and calls for DOJ involvement.**

While federal regulators push for national reforms, states are advancing their own measures. In California, lawmakers are implementing stricter licensing requirements and requiring 100% of manufacturer rebates to be passed directly to health plans[8]. This reflects a broader push by multiple states to increase transparency and lower drug costs through legislative action.

With regulatory momentum building at both federal and state levels, advisors play a key role in helping employers prepare for upcoming changes by offering guidance on policy shifts, cost-saving strategies, and transparent pharmacy benefits solutions.

## HOW ADVISORS CAN HELP EMPLOYERS MAKE INFORMED DECISIONS

The push for transparency creates an opportunity for advisors to prove their value. Here's how they can take the lead:

1. Educate Employers on Pricing and Discount Programs

Consumers should always ask about cash prices when purchasing prescriptions. Often, the cash price is lower than the PBM-negotiated price, yet many consumers don't realize they can inquire about it.

Additionally, advisors should educate employers on discount programs like GoodRx and manufacturer coupons, which can significantly lower costs. PBMs may not always offer the best price, so employees should be encouraged to compare pricing before filling prescriptions.

2. Advocate for Transparency in Rebate Structures

Many self-insured and level-funded employers are unaware of where their rebates go. Advisors should encourage employers to demand 100% pass-through on rebates, ensuring that savings are returned to the plan rather than retained by the PBM or carrier.

3. Promote Awareness of Mail-Order Benefits

For maintenance medications, some PBMs offer mail-order discounts, which can provide significant savings. Employers and employees should explore whether 90-day mail-order supplies come at a reduced cost compared to retail pharmacy purchases.

**Advisors can help employers control prescription costs by evaluating rebate pass-throughs, comparing PBMs, and educating clients on cost-saving options.**

4. Help Clients Understand Step Therapy and Prior Authorization

Step therapy: a cost-control process requiring patients to try lower-cost alternatives before receiving more expensive medications, can create barriers to necessary treatments. Advisors should help employers understand their plan's step therapy and prior authorization requirements to prevent delays in medication access, especially for employees with chronic conditions.

5. Encourage Employers to Compare PBMs

Not all PBMs operate the same way. Advisors should encourage employers to compare fiduciary PBMs, which are required to act in their clients' best interests. These PBMs prioritize transparency and cost savings over profit-driven incentives.

## LOOKING AHEAD: THE FUTURE OF DRUG PRICING AND TRANSPARENCY

Pharmacy benefit transparency is just one piece of the larger effort to rein in healthcare costs. Medicare's drug price negotiation program, which began in 2023 under the Inflation Reduction Act, could set cost benchmarks that influence broader market pricing, including employer-sponsored plans. The federal government's initiative to negotiate Medicare drug prices and the push for lower-cost generics will also play a role in shaping the future of drug pricing. As government programs take steps to rein in drug costs, employers are also exploring solutions such as direct pharmacy contracting and value-based pricing to better control expenses.

A recent RAND Corporation study found that U.S. prescription drug prices are more than twice as high as those in comparable countries, reinforcing the need for continued reform9. With U.S. prescription costs already outpacing other nations, PBM transparency and regulatory efforts will play a key role in determining whether these costs become more manageable in the years ahead. As these efforts unfold, staying informed will be crucial for advisors and employers looking to implement effective cost-containment strategies.

## THE BOTTOM LINE

New regulations and policy changes are transforming the way pharmacy benefits are structured. Employers must take a more active role in understanding PBM pricing structures, rebate distribution, and transparency initiatives. Advisors who take an active role in these changes will be seen as indispensable partners, while those who overlook them risk falling behind. Helping employers understand pricing structures, including the importance of comparing PBM-negotiated prices with cash prices, and discount programs, can drive meaningful savings.

Knowledge is power. BenefitMall's compliance support, consultative guidance, and pharmacy benefits expertise ensure that advisors have the tools they need to help employers make informed choices. From fiduciary PBM partnerships to cost analysis tools, our solutions are designed to simplify complexity and drive smarter decisions. Contact your local BenefitMall team today to learn how we can help you develop a more transparent, cost-effective benefits strategy.

## CONTRIBUTOR

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## END NOTES


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