



Rx Collaborative

2023 Annual Report to Employers

wtwco.com



Letter from leadership

Our value proposition

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Service delivery

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Looking ahead: 2024 and beyond

The Rx Collaborative is the largest pharmacy coalition in the U.S. We represent over 428 employers with approximately \$7 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.

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Letter from the Rx Collaborative leadership

Dear members:

These are exciting times for healthcare transformation and pharmacy benefit management. New pricing models are emerging that reflect employers' needs for alternative options. These changes will require employers to rethink the ways they manage pharmacy benefits and develop new strategies. Throughout 2023, WTW provided guidance to Rx Collaborative clients to help address and potentially mitigate the impact of these changes, which we anticipate will continue into 2024.

There has been an increase in activity at both the federal and state levels focused on PBM legislation and efforts targeting ERISA plans' preemption protection. New, transparent pricing models were announced, and WTW worked closely with our PBM partners to evaluate them and provide guidance for our clients. Additionally, drugs impacted by the average manufacturer price (AMP) cap removal are expected to see decreases in prices and rebates. WTW renegotiated with our PBM partners on their individual approaches to rebate guarantee reconciliation to ensure that Rx Collaborative clients were not adversely affected by the change.

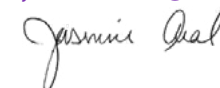
With eight biosimilars on the market, significant price reductions are projected to deliver up to \$133 billion in savings in the U.S. by 2025. We have encouraged our Rx Collaborative clients to support the inclusion of low-cost biosimilars that are included on our PBM partners' national formularies. Additional major generic launches are expected to bring more cost savings for employers. WTW continues to support the use of generics. In fact, WTW is the first organization welcomed into CivicaScript's Ambassador Program, which aims to make quality generic medicines affordable and available to everyone through broad industry participation.

As in prior years, the majority of new drugs approved have been specialty pharmaceuticals. The approval of two new gene therapies for sickle cell disease has expanded access to this category for the largest number of patients to date. WTW assists employer clients in putting strategies in place to manage high-cost claims, including stop-loss. Our 2023 Rx Collaborative annual employer survey shows that 42% of the organizations that responded were interested in adopting a pay-over-time/annuity-based/amortization strategy for gene therapies exceeding \$2 million per treatment.

The increasing use of GLP-1 drugs for diabetes and weight loss is affecting employers' healthcare budgets. Employers have had to decide whether to cover these weight loss drugs or not. The Rx Collaborative clinical team has worked closely with PBM partners to develop custom solutions that will help employers manage this therapy class.

We continue with our robust audit initiative. A key priority for employers is member experience, and for the first time this year, the WTW audit team reviewed customer service calls as part of the Operational Assessment. The review provided insights into the consistently superior level of customer service provided to Rx Collaborative members, and the extensive training programs that deliver it. It also gave us an opportunity to share feedback and recommendations that will improve members' overall experience.

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



2023 at a glance

96%

of surveyed employers
would recommend
the Rx Collaborative

2023 members

5.3 million

2023 prescriptions

51 million

2023 drug spend*

\$7 billion

*Drug spend is \$11 billion before the value of rebates or savings from copay assistance programs.



Our value proposition to clients

We believe employers deserve to have a clear understanding of the actual cost of their prescription drugs. The Rx Collaborative has been built on this idea: to make the PBM process as transparent as possible, and maximize value for employers.

Since then, we've transformed the business of pharmacy benefit delivery and prescription drug purchasing. As the industry's first national-level, large-scale pharmacy benefit solution provider, we've been able to move with the rapidly evolving world of pharmacy and be an influential agent of change within it.

Our ability to help employers navigate complex change and maximize the value of their pharmacy benefits is built on the deep knowledge and experience of the WTW Rx Consulting Community. Consisting of over 100 clinicians and financial pharmacy experts, the community is one of the largest consulting groups of its kind, and provides unmatched insight into the challenges, complexities, and opportunities in today's PBM industry.

The Rx Collaborative also offers employers a greater choice of purchasing options through our PBM partnerships with Express Scripts, CVS Health, Optum Rx, and Capital Rx.

Our consultants leverage these powerful insights, capabilities, and partnerships to create strategic solutions tailored to the specific needs of individual employers. These solutions enhance our PBM partners' existing programs and enable them to drive appropriate utilization, reduce waste, and achieve significant savings in today's rapidly changing market.



Financial

We successfully negotiate competitive pricing and contractual terms on behalf of our clients and their members, typically delivering annual savings between 2% and 9%.

Savings throughout the contract term

Every year, we renegotiate pricing with our PBM partners so it remains market-competitive. These negotiations are constantly informed by new learnings and insights from our audits and procurements. The process protects our clients from unfavorable price modifications, and ensures their contract provisions meet current best practices.

We also deliver significant savings to our clients through our clinical and formulary management oversight. This process is highly effective, and causes near-zero disruption of their PBM contracts.

Lastly, we continuously conduct in-depth analyses of market events, such as the removal of the AMP cap and the introduction of biosimilars to the market for highly utilized medications. This ensures our

clients and their members are protected from any adverse effects caused by PBMs seeking to address changing market dynamics.

Our financial value proposition	
✓	Exclusive pricing for our clients.
✓	A streamlined contracting process with best-in-class provisions thanks to our pre-negotiated contract template.
✓	Annual pricing and contract language updates that drive additional savings and reflect the latest market intelligence.
✓	9% to 12% average savings for new clients compared to their incumbent's renewal offering.
✓	4% to 9% estimated savings for over 120 existing clients who received pre-negotiated renewal pricing and contract terms effective January 1, 2024.
✓	2% to 5% estimated savings for over 275 existing clients who received an annual price improvement effective January 1, 2024.



Service delivery

Delivered by a defined joint service model with four PBMs, our offering combines all the advantages of WTW with an industry-leading pharmacy benefit management service.

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WTW team ensures we are kept abreast of recent trends that would be relevant to our plan. Our WTW team is very hands on and very quick to respond. Their service is excellent. Our account director is very knowledgeable and always willing to assist with questions.

Bryan Cave
Leighton Paisner LLC

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Our service delivery value proposition



Expert consulting and pharmacy management

The WTW pharmacy community gives clients access to the latest market intelligence, and provides superior insights into industry trends, ongoing regulatory updates, and due-diligence efforts.



Rx Collaborative joint service model

We deliver the highest levels of client service through a unique partnership between PBMs and WTW. Best practices and processes are documented and formalized in an account management playbook ratified by both PBM account teams and WTW client teams. The playbook is updated annually and forms the basis for ongoing account team training.



Implementation oversight

We ensure our clients' needs are met fully by carefully overseeing the PBMs processes and service delivery via detailed dashboard reporting, weekly debriefs with senior management, and detailed annual service reviews.



Effective issue resolution

We're able to advocate directly on our clients' behalf thanks to our strong, proactive relationships with PBM leadership teams. Our formal escalation process ensures the right resources are engaged to rapidly effect change and resolve issues within the PBMs.



Unique performance guarantees

We continually challenge our PBMs to provide meaningful performance guarantees and accurately measure the satisfaction of our clients and their members. To ensure full delivery of their service commitments, our annual negotiations with PBMs always include increasing amounts of dollars-at-risk.



Insights

From new legislation to drug launches and shortages, pharmacy was rarely out of the headlines in 2023.

We help employers manage their pharmacy benefit more effectively by keeping them abreast of emergent challenges, opportunities, and innovations in the sector.

We provide this information and advice in many ways. Our monthly newsletters, quarterly calls, and annual employer meeting deliver a steady stream of clinical, legal, and market updates. WTW research and data resources enable benchmarking and best practice. This support enables our clients to effectively navigate today's complex challenges and constantly add value to their programs.

Timely topics addressed in 2023

- Biosimilar acceptance in the U.S. market and what to expect
- Regular updates on state and federal legislation activity
- Pharmacy channel disruptors
- Digital therapeutics and the potential opportunities for employers
- Drug importation in the U.S.
- Nonalcoholic steatohepatitis
- Alzheimer's disease impact on the workplace and new medication reviews
- Functional medicine solutions for the emerging vendor landscape
- Gene therapy for sickle cell disease
- Pharmaceutical waste management
- Mental Health Parity and Addiction Equity Act compliance: actions employers can take to meet the Department of Labor's requirements



Clinical management

In a pharmacy landscape affected by high prices, drug shortages, physician shortages, and other barriers to access, we see a variety of programs and strategies aimed at improving employees' health in an affordable manner.

With its diverse membership and scale, the Rx Collaborative is well positioned to make the most of clinical advancements. We help employers navigate a seemingly infinite number of plan design options, clinical programs, and vendor relationships. We support decision-making with data on benefit offerings and provide benchmarking to inform future decisions.

In 2023, we saw an increase in both specialty and non-specialty spending. Specialty spending continues to represent almost half of overall pharmacy costs. However, that proportion went down for the first time in over a decade. In 2023, specialty spending represented 46.7% of total gross costs, down from 47.8% in 2022. This shift is primarily due to the increased utilization of non-specialty drugs for chronic conditions such as diabetes and weight loss.

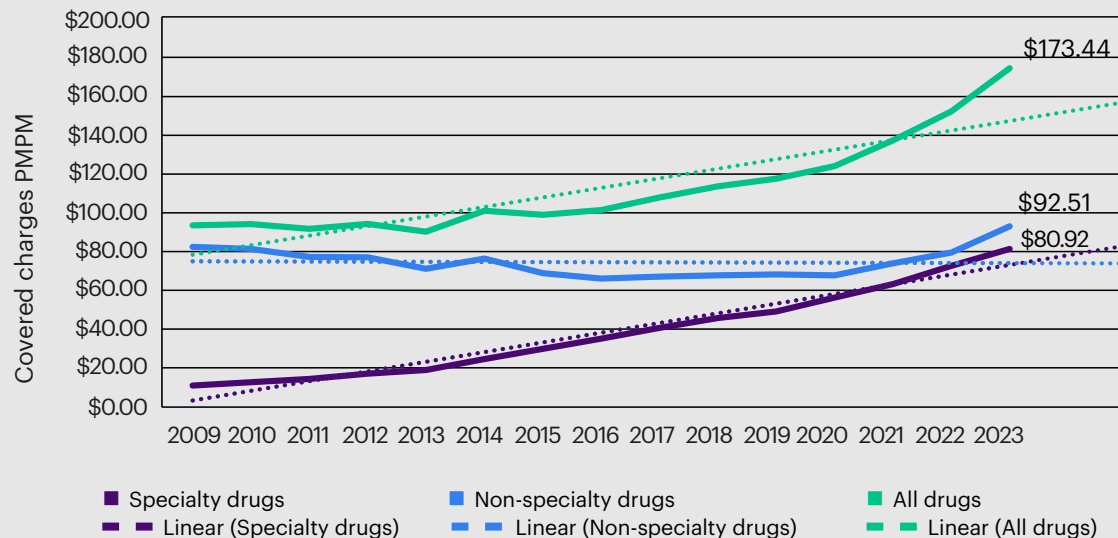
Non-specialty per-member, per-month spending (PMPM) increased by 17%, the first double-digit increase in over a decade. This contrasts with the single-digit or negative growth rates experienced over the past ten years.

The past decade has seen a steady increase in specialty spending, and a slight decrease in non-specialty spending. Blockbuster drugs used for chronic conditions, such as statins for cholesterol, have long been available as generics, resulting in cost saving to the U.S. health system, while new therapies such as GLP-1 drugs have increased the cost of treating diabetes. As the GLP-1 drugs have been approved in recent years for weight loss, we are seeing a significant uptick in spending on traditional non-specialty drugs once again. It is more important than ever to have a comprehensive strategy in place that encompasses specialty and non-specialty drugs alike.

Employers are focused on balancing members' experience with lowering costs through retail pharmacy networks, home-delivery capabilities, and specialty pharmacy programs. Employers made important decisions in 2023 that impacted how their members access pharmacy benefits. These included decisions about levels of cost sharing, which drugs to cover, and which pharmacies to include in the retail network.

A well-structured plan design maintains costs while ensuring members have access to medicines, and well-positioned clinical programs ensure medications are used appropriately while providing the most value. Generic drugs provide high value at low cost, and Rx Collaborative employers take advantage of the savings they offer each year. In 2023, the generic dispensing rate in the Rx Collaborative was 85%. This is a great indicator of pharmacy benefits that steer members toward high-value, low-cost options.

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



In 2023, a number of major generic drugs were launched into the market that we expect will deliver cost savings to employers in the coming years. They include the following:

- Latuda® is a drug approved for schizophrenia and bipolar disorder. Rx Collaborative spend totaled \$46 million (5,891 utilizers) in 2022, and \$8.3 million (2,811 utilizers) in 2023.
- Vyvanse® is approved for attention deficit hyperactivity disorder (ADHD). Rx Collaborative spend totaled \$86 million (42,415 utilizers) in 2022, and \$90.3 million (56,665 utilizers) in 2023.

Savings from Vyvanse will be welcome. With drug shortages impacting less expensive, generic versions of medications used for ADHD, claims for brand name Vyvanse have been on the rise. Most employers in the Rx Collaborative use formularies and utilization management to favor generics. For example, formularies can exclude brand name drugs when generics are available, and step therapy programs can require members to try the generic before the branded product, unless it is deemed medically necessary to use the latter. Taking advantage of savings from generics also helps to balance the costs for brand name innovation and the associated costs.

Drug approvals

The Food and Drug Administration (FDA) approved 55 new drugs in 2023 — the highest number of annual approvals since 2019. As in prior years, most new drugs approved were specialty pharmaceuticals. Over half were designated as “orphan drugs”, meaning they are indicated to treat rare conditions. In 2023, the approval of Roctavian™ for hemophilia — along with two new gene therapies for sickle cell disease — have made gene therapies available for the largest number of patients to date.



Major gene therapies approved in 2023

Gene therapy	Indication	Approval date
Elevidys	Approved for the treatment of patients ages 4 to 5 with Duchenne muscular dystrophy (DMD) with a confirmed mutation in the DMD gene. This is the first gene therapy designed to improve gene function in this rare condition.	June 22
Roctavian	Approved for the treatment of adults with severe hemophilia A. This is the first gene therapy approved for hemophilia A, and has the potential to reduce or remove the need for ongoing blood factor injections.	June 29
Casgevy™ and Lyfgenia™	First approved gene therapies for the treatment of sickle cell disease. Casgevy is the first FDA-approved treatment to utilize CRISPR, a type of genome editing technology, signaling an advancement in the field of gene therapy.	December 8

New vaccines were approved for treating respiratory syncytial virus (RSV) in 2023, offering the first-ever preventive measure for this common viral infection. Arexvy and Abrysvo® are both approved for preventing RSV in adults over 60 years old, and Abrysvo is also available for pregnant women to prevent RSV in infants.

Not all new approvals affect employers equally. Some new drugs, such as Leqembi® for Alzheimer’s disease, will have an outsized impact on the government-sponsored Medicare program, for example. The Medicaid program is expected to be responsible for one-third to one-half of hemophilia and sickle cell gene therapy payments. Most employers cover vaccines, and in some cases, they are required to be covered so that members have no out-of-pocket costs. Rx Collaborative employers typically offer rich benefits for their employees, with most categories of drugs covered. In 2023, a major decision for many employers was whether to cover weight loss drugs.

In 2023, 44,749 claims for RSV vaccines were processed, representing \$12.1 million in spend. WTW helped employers navigate vaccine benefits to ensure access to these new therapies in 2023.

Several noteworthy over-the-counter (OTC) drug approvals occurred in 2023 as well. The first daily oral contraceptive approved for use without a prescription, Opill®, was approved for OTC use on July 13, 2023. On March 29, 2023, the FDA approved OTC Narcan, the first naloxone product approved for treatment of opioid overdose without a prescription. Typically, a prescription is required to process drugs (including OTC drugs) through claims adjudication systems — which employers rely on to cover the cost of medicines — and in 2023 we worked with our PBM partners to navigate the new OTC changes.

Weight loss

In 2023, the use of GLP-1 drugs for both diabetes and weight loss increased. Four GLP-1 drugs (Mounjaro®, Ozempic®, Saxenda®, and Wegovy®) account for 9% of overall prescription costs for the Rx Collaborative after rebates and discounts. The latest drug is Zepbound®, which was approved in November 2023. It results in even more weight loss than Wegovy. The diabetes version of Zepbound, called Mounjaro, is already a top cost driver for many employers.

GLP-1 drugs have remained in the top 10 of employer spend in the past three years. 2023 rank: Ozempic (#2), Wegovy (#4), Mounjaro (#7), Trulicity® (#8)

GLP-1 utilization is increasing for employers, regardless of whether they offer weight loss benefits. The trend is outpacing the increase in the prevalence of diabetes. This is likely due to clinicians prescribing diabetes drugs such as Ozempic and Mounjaro for weight loss. This is called off-label use, meaning how the patient

uses it doesn't match the FDA label (the written guide that comes with a drug). This increase in the prescribing of diabetes drugs for weight loss could be happening for a number of reasons:

- Certain doses of Wegovy, Ozempic, and Mounjaro are experiencing drug shortages.
- Ozempic can cost less than Wegovy.
- Diabetes drugs such as Ozempic and Mounjaro could be prescribed for members if their plans don't cover weight loss drugs such as Wegovy, because plans usually cover the drugs for diabetes.

Different dosage forms for all three of the more-potent GLP-1 drugs (Ozempic, Mounjaro, and Wegovy) were in short supply in 2023, and the shortage is expected to continue in 2024. When the drug shortages recede, new prescriptions will likely increase.

In addition to concerns about the impact of off-label prescribing on employers' budgets, there are also concerns that off-label use of drugs for diabetes can make it hard to get the treatments for people who have been taking the medicines to control their diabetes.

Concern is also emerging that GLP-1 use is exacerbating health equity concerns. According to WTW data, the highest utilization of GLP-1 isn't in the areas that have the highest rates of diabetes or obesity.





- WTW launched the Comprehensive Condition Care benefits offering for weight management in 2022 and began supporting clients with this new offering in 2023. We evaluate employers' current state (inclusive of PBM approach), define performance gaps, and develop a strategic plan to address opportunities. This includes an analysis of cardiometabolic vendors to determine which one is the best fit for an employer group, along with strategies for optimizing engagement and gauging outcomes. A popular service WTW offered Rx Collaborative employers in 2023 was the WTW Obesity Strategy Support Tool — an analytic product aimed at providing clarity around potential cost and return of various interventions based on the employee population.
- In 2023, the Rx Collaborative team conducted a structured request for information questionnaires with over 30 weight management vendors.
- The Rx Collaborative clinical team worked closely with PBM partners to develop custom solutions for employers, including prior authorization criteria for weight management drugs. WTW has completed nearly 60 Obesity Strategy Support analyses for employers.

The emergence of highly effective drugs for supporting weight loss has changed medical practice and had a significant impact on digital therapy. According to the FDA, weight loss drugs approved in the U.S. are meant to be used in conjunction with a reduced calorie diet and increased physical activity. Because there aren't enough medical professionals in the country to support each patient's journey when using these medications, digital solutions have emerged to fill the gap, such as connected digital scales that track progress and provide nutritional counseling to facilitate changing diet habits. In 2023, we saw an explosion in new and established vendors offering these types of services. Perhaps most notably, we saw vendors migrating from supporting one chronic condition to supporting many. This makes sense when considering the impact obesity has on other chronic conditions, such as hypertension, diabetes, and musculoskeletal pain. Improving members' weight can have a positive impact on other chronic conditions.

Each of the Rx Collaborative's PBM partners offers a weight management solution, either developed in-house or in partnership with vendors focused in this area. The programs can integrate seamlessly with other PBM services where these organizations can easily share data on GLP-1 drug claims, member enrollment, payment, and other core services.

We anticipate our PBM partners will continue working with focused digital vendors in the years ahead, as these highly specialized services provide an efficient and effective way to improve drug therapy by reaching patients in their own homes.

Market disruptors

The market for convenient telemedicine prescribing and online delivery pharmacies continued to mature in 2023. Having been accelerated by the pandemic and further boosted by online prescriptions for weight loss drugs, it's now clear that interest in digital medicine is here to stay. Members value being able to see a clinician online, receive a prescription, and have the medication delivered to their doorstep. Real-time pricing information adds additional value to these services, allowing patients to see the cost of medications via a variety of delivery channels and payment plans, including through funded insurance benefits or cash pay.

In 2023, employers explored new ways to provide cost-savings opportunities for employees in the complex pharmacy delivery channel. These include novel manufacturing, delivery, and payment mechanisms for drugs. As these new services mature, WTW is helping employers take advantage of these downward pressures on members' out-of-pocket costs.

Biosimilars

2023 marked the first year for predominantly pharmacy benefit specialty drugs to become biosimilars. Typically, when multiple competing products reach the market, the net cost of both brand and alternatives are reduced. This is a welcome result, as employers often see specialty autoimmune drugs such as Humira® at the top of their overall spend.

Autoimmune drugs have remained in the top ten of employer spend in the past three years. In 2023, Humira ranked in first place, Stelara® in third, Skyrizi® in fifth, Dupixent® in sixth and Enbrel® in ninth place.

The first biosimilar for Humira was approved by the FDA in 2016. There are now eight. These biosimilars began reaching the market at significantly reduced prices in 2023. All of our PBM partners cover biosimilars on their national formularies. Biosimilars will result in savings of up to \$133 billion in the U.S. by 2025. These savings will be delivered by biosimilars already on the market, plus those coming soon as treatments for cancer and cancer support, ophthalmology, autoimmune conditions such as gastrointestinal disease (e.g., Crohn's and ulcerative colitis), and dermatology conditions such as plaque psoriasis and rheumatoid arthritis. Drugs that treat the same conditions as Humira may see approval within the next couple of years.





Governance




Employers, as sponsors of group health plans, have fiduciary responsibilities towards plan participants. They need to ensure PBMs are performing properly, plans are being administered correctly, and processing systems are working effectively. This is why we provide our members with a robust annual audit that reviews the terms of their financial contracts and evaluates PBMs' programs and performance.

Our audit team is made up of seasoned pharmacy and audit specialists. They understand Rx Collaborative pricing terms and know how prescription-claim transactions should be adjudicated. Most importantly, they know how to judge if PBMs are acting in the best interests of their clients.

2023's annual audits were completed in December, and the results were shared with our employer clients. These audit results are powerful negotiating tools, and they will continue to benefit our members by making the terms of their new contracts more precise.

Employers should discuss with their WTW pharmacy consultant if plan-specific supplementary reviews targeting benefit rules, eligibility, and accumulators are warranted. Plan-specific audits are particularly important when new plans or significant plan design changes are being implemented. There may also be opportunities for clients to fund these projects using PBM credits.

Our governance value proposition

	<p>Annual audits completed in 2023, results delivered in December Audit covers group-level claims, a review of rebates, and an assessment of operations</p>
	<p>Group-level claim audit Performed by the Rx Collaborative audit team, with support from Caribou Systems — a firm specializing in pharmacy claims audits.</p> <p>Purpose</p> <ul style="list-style-type: none"> • Verify that discounts and dispensing fees are applied correctly • Confirm that our proprietary definitions and reconciliation logic are applied correctly <p>Findings</p> <ul style="list-style-type: none"> • Overall, PBMs adhered to their contract terms • Setup issues were identified in some cases, resulting in payments to the affected clients
	<p>Rebate review WTW contracted with KPMG to conduct the audit.</p> <p>Purpose</p> <ul style="list-style-type: none"> • Confirm that 100% of the rebates paid to PBMs by five manufacturers were passed on to clients • Confirm that the PBMs adhered to their contractual rebate reconciliation provision <p>Findings</p> <ul style="list-style-type: none"> • Overall, PBMs passed through 100% of rebates collected from the drug manufacturers or through a group purchasing organization
	<p>Operational assessment</p> <p>Purpose</p> <ul style="list-style-type: none"> • Determine the effectiveness of PBMs' service delivery to our customers • Conduct a statistical review of customer service performance and a customer service call review of a randomized sample of general customer service and specialty member calls <p>Findings</p> <ul style="list-style-type: none"> • PBMs operational processes and call centers are providing a high level of service to our clients. They meet or exceed the standards of the PBM book of business. Our members get the information they need, and their issues are usually resolved with a single call. • There are opportunities to further improve and streamline our members' experiences. Additional training for customer service representatives will deliver it.

New findings about customer service

The WTW audit team reviewed customer service as part of the 2023 audit. They worked with the PBMs to evaluate key performance indicators and agreed on a method for assessing the quality of customer service calls. This review deepened our understanding of the extensive training that customer service representatives undergo, and provided evidence of the high level of service our members receive when they have questions about their medications.



Looking ahead: 2024 and beyond

Drug pipeline

What was clear in 2023 — and will hold true in 2024 and beyond — is that the pharmaceutical research and development pipeline will continue to affect employers' spending on healthcare. Ranging from new obesity treatments that impact a third of the population, to gene therapies that could treat less than a thousand people, investment in the biopharmaceutical landscape is projected to remain strong in the years ahead. Advances in remote patient monitoring and new capabilities with artificial intelligence are being leveraged in the clinical trial and drug discovery process, which may further accelerate the approval and launch of new treatments.

With the exceptional sales growth of GLP-1 drugs in recent years, many manufacturers are working on competing drugs for weight loss. Over 250 obesity drugs are being studied currently, with a boom in the market expected by 2026. In the pipeline are oral forms of existing weight loss drugs, as well as new therapies aimed at driving weight loss whilst maintaining muscle mass. Some of the drugs in development result in more weight loss than the existing therapies already on the market. Some clinical trials have led to a loss of nearly a quarter of body weight.

Major drug approvals are on the horizon. The first treatments for metabolic dysfunction-associated steatohepatitis (MASH) — a type of fatty liver disease — are expected to offer new ways to treat a common chronic condition with metabolic risk factors similar to those of obesity and diabetes. In fact, the same drugs available for obesity and diabetes are also being studied for fatty liver disease. There will likely be some overlap in indications, but this is a market poised for rapid growth and significant new spending.

Psychedelic therapies are another emerging area that will introduce unique reimbursement challenges and require novel management strategies for employers. The FDA is poised to review a drug called MDMA in 2024 for the treatment of post-traumatic stress disorder. MDMA and other psychedelic drugs — including psilocybin, which is found in mushrooms — are being studied for a wide range of mental health indications. A formulation of LSD has been granted breakthrough therapy status for the treatment of generalized anxiety disorder. A unique attribute of this field of medicine is its potential to encourage neuroplasticity, meaning a change to the way the brain works. This could impact how traditional psychiatry is practiced. Administration is a major hurdle in this sector, as some of these products must be administered by clinicians and require over six hours of oversight. The costs associated with resource-intensive treatments like these could add significant expense to the costs of the drugs themselves, which may already be high. Digital solutions and telemedicine may be able to help bridge the divide in needs and resources.

Digital solutions in healthcare

A trend we anticipate continuing in the foreseeable future is the impact of digital on all things healthcare, for example:

- Digital scales will track weight loss on GLP-1 drugs, while artificial intelligence-backed barcode readers provide members with nutritional information and tips during grocery shopping.
- Digital cognitive behavioral therapy sessions will facilitate behavioral modification in between clinician-administered psychedelic therapy sessions.
- Real-time, two-way communication between patients and clinicians will allow for dialogue on how to use specialty drugs, and when to be concerned about side effects.
- In-home diagnosis and prescription of medications via video sessions will be available, followed by delivery of medications to the home.

Where digital solutions impact drug spending, PBMs will play an integral part, as they are the holders of patient prescription histories and other important data that guide treatment decisions for clinicians. New technologies typically add cost, but some of these costs come down over time. For example, the per unit costs for continuous glucose monitors is decreasing, and these technologies are being incorporated into diabetes and weight management offerings. Genetic testing for pharmacy therapy and cancer screening is expected to follow suit, bringing the potential for personalized medicine within closer reach.

Many employers have had digital solutions in place for five or more years to manage conditions such as diabetes and behavioral health. At this juncture, WTW is helping employers measure the success of their current program mix to best understand what options exist now and in the future.

Autoimmune disease

Autoimmune disease is one area employers are focused on managing more tightly. These encompass inflammatory conditions such as rheumatoid arthritis, plaque psoriasis, irritable bowel disease, allergic asthma, and eczema — conditions often treated with costly specialty biologic drugs meant to reduce inflammation. Employers are seeking novel approaches to manage these conditions, and are looking at functional medicine as one approach. WTW has deep experience in this emerging area, coordinating pilot programs and helping employers measure how well they work.

In 2023, WTW partnered with Oshi Health to offer a virtual gastrointestinal clinic to employers after an extensive and successful pilot with WTW clients. In 2024, WTW will be launching the third installment in a series of programs that fall under the Comprehensive Condition Care umbrella. This installment will be focused on autoimmune conditions, and will provide new tools to help employers manage one of the top drivers of pharmacy spending.

Generics and biosimilars

We expect to see additional generic and biosimilar approvals in the years ahead that will provide cost relief to employers. Generic options are expected in traditional and specialty drugs. In 2024, we anticipate more major drugs to lose patent — including Entresto®, which is used for heart failure. In 2023, there were \$40 million in claims among 9,174 utilizers for Entresto, and \$39 million in claims among 2,576 utilizers for Sprycel®, which treats leukemia. In 2025, we anticipate seeing the first biosimilars for Stelara, a commonly used biologic drug for autoimmune conditions. There were \$416 million spending in claims among 3,816 utilizers in 2023, making this the number three drug in spend for the Rx Collaborative, behind Humira (number one) and Ozempic (number two). It will be imperative for employers to take full advantage of the savings afforded by generics and biosimilars in the years ahead. WTW offers solutions including benefit design support and member education campaigns to support the use of biosimilars.



Pharmacy supply chain

A lot happening in the U.S. has the potential to impact both the pharmacy supply chain and medications taken by employees. Drug shortages are at a multiyear high and affect commonly used medications, including those for ADHD and weight loss. This results in disruption for members, and challenges for medication adherence. In the Rx Collaborative, we track adherence to weight loss therapies and see it ranging from 50% to 80%. This could be caused by a number of factors, including drug coverage, prior authorization impact, and drug shortages. For drugs such as GLP-1s that require starting at low, gradually increasing doses, adherence is critical to gain the full benefit of the drugs — and to avoid wasted healthcare dollars if the medications can't be taken appropriately.

The FDA approved the first state request to import drugs at the start of 2024. While this isn't expected to impact employer-sponsored pharmacy benefits in the near term, it does indicate an openness to novel approaches that rein in high prices for prescription drugs. WTW works closely with key stakeholders in the U.S. to remain ahead of these new approaches, and ready to help employers take advantage of whatever opportunities arise.

Looking ahead with members in mind

How do we help employers keep pharmacy benefits affordable while ensuring their members have access to the best medications possible? At WTW, our approach to this question is to align pharmacy benefits with value. With our deep experience and analytics in managing pharmacy benefits, we are well positioned to identify and measure which interventions will provide the most value to members. We assess available drug choices and PBM clinical programs. We often find that comprehensive strategies to align drug coverage with wraparound services provided by digital programs are a winning combination for many conditions.

Employers should understand what employees need from their pharmacy benefits. What does value mean to the employee? To answer this, WTW releases robust surveys and supports auditing the pharmacy benefit to ensure our PBM partners are meeting expectations. We work with our partners to reduce friction points, make prior authorizations seamless, ensure adequate pharmacy network access, and help members' prescribers see coverage options and out-of-pocket costs in electronic health records. Providing members with high-value services is possible when all the right checks and balances are in place.

The pharmacy marketplace will continue to evolve. The pharmaceutical pipeline, new clinical therapies, point solutions, and digital capabilities will all add complexity — and need to be evaluated. WTW will continue to monitor the pharmacy marketplace to ensure employers have all options available to them to manage costs and provide members with the best access to care. We will analyze utilization and other data to measure outcomes and develop successful strategies. Rx Collaborative members will be in a strong position to manage their pharmacy benefits moving forward.



Pharmacy-related legislation

Activity in the legislative space in 2023 did not disappoint.

As expected, activity increased at both state and federal level. Much of the focus remained on anti-PBM legislation, and the challenges to the applicability of state laws to self-insured plans under the Employee Retirement Income Security Act are continuing. The Rx Collaborative PBM partners have regulatory and legislative teams focused on these issues daily at the state and federal government level. We continue to work closely with both in support of our mutual clients' compliance with such legislation. Ongoing activity at the state level includes proposed legislation regarding:

- 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

Significant state legislation has affected self-insured plan sponsors managing pharmacy benefits for employees in California, Florida, Kentucky, Missouri, Nebraska, New Jersey, North Dakota, and Tennessee. Anti-PBM legislation is showing increasing momentum throughout the U.S., and although many state legislative bodies are back in session, they typically adjourn by June.

In addition to this complex component of pharmacy benefit management, a new term has become more widely known: AMP cap. As background, the Affordable Care Act of 2010 capped the total statutory Medicaid rebate at 100% of AMP - even if the manufacturer continues to make price increases exceeding the rate of inflation. The American Rescue Plan Act of 2021 eliminated the rebate cap of 100% of AMP, effective January 1, 2024. As a result, manufacturers may be required to pay rebates to the Medicaid program that exceed the list price of a drug, due to the cap being removed. In other words, manufacturers may have certain drugs where they pay Medicaid to use the product(s). Each individual manufacturer assesses the liability at the drug product level and decides to accept the cost or mitigate it. Many manufacturers will not absorb the liability.

To date, Eli Lilly, Sanofi, and Novo Nordisk have all announced substantial drops in wholesale acquisition cost (WAC) for insulin products. These drops in WAC price also mean that rebates paid for those products will be reduced. As part of the due diligence associated with participation in the Rx Collaborative, the WTW team negotiated contract language within each agreement to ensure that the financial implications of these changes are net neutral for plan sponsors.

WTW will continue to monitor and track state and federal pharmacy legislation issues for the remainder of 2024 and into calendar year 2025. We realize these are critical areas for our clients, and look forward to continued collaborations 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](https://www.wtwco.com).



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WTW-138612/04/24

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