



Risk & Insurance | Employee Benefits | Retirement & Private Wealth

COST MANAGEMENT WEBINAR SERIES

# The Price of Innovation:

## Understanding the Factors Driving Healthcare Costs



# Agenda

- 1** Key Healthcare and Pharmacy Trends Shaping 2025
- 2** Clinical Pipeline: Impact on Cost
- 3** Strategic Contracting Insights: PBM
- 4** Strategic Contracting Insights: Stop Loss
- 5** Case Study



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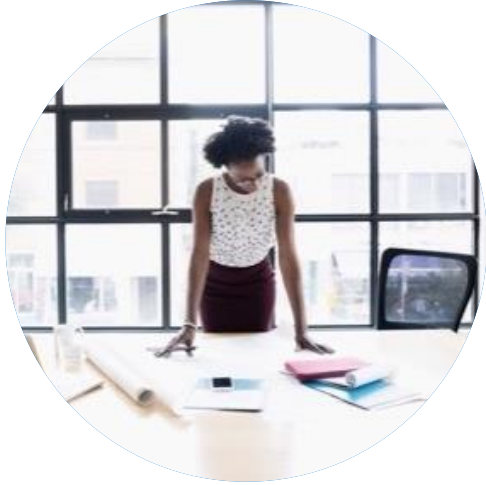
Regional Pharmacy Consultant  
HUB International

# Healthcare and Pharmacy Trends Shaping 2025

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# 2025 Healthcare Trends



## Transparency

Pressures from patients to make system better is leading to Transparency Laws in the system, but especially for PBMs

Increases in legislative requirement burden results in need to stay ahead of regulatory changes

Stop Loss claw backs influence rebate transparency

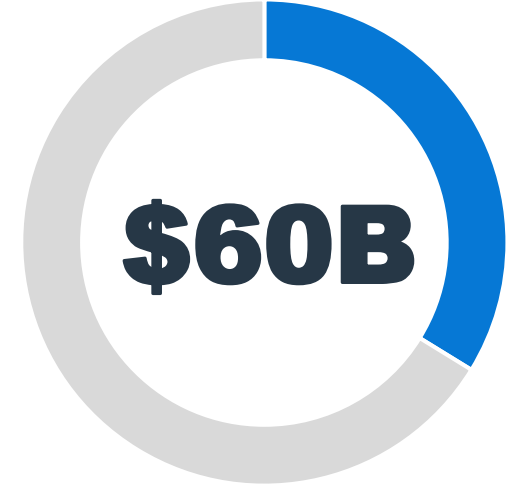


## AI Enhanced Healthcare

Data Analytics is now a minimum requirement to maximize savings opportunities

\$265 Billion in services transferred to home-based care from enhancements in telemedicine and other technologies

Technology is helping close the gap in workforce shortages



## High-Cost Therapies

\$60 Billion in Cost for GLP-1 (\$40B) and Gene Therapy (**\$20.4B**) in 2024

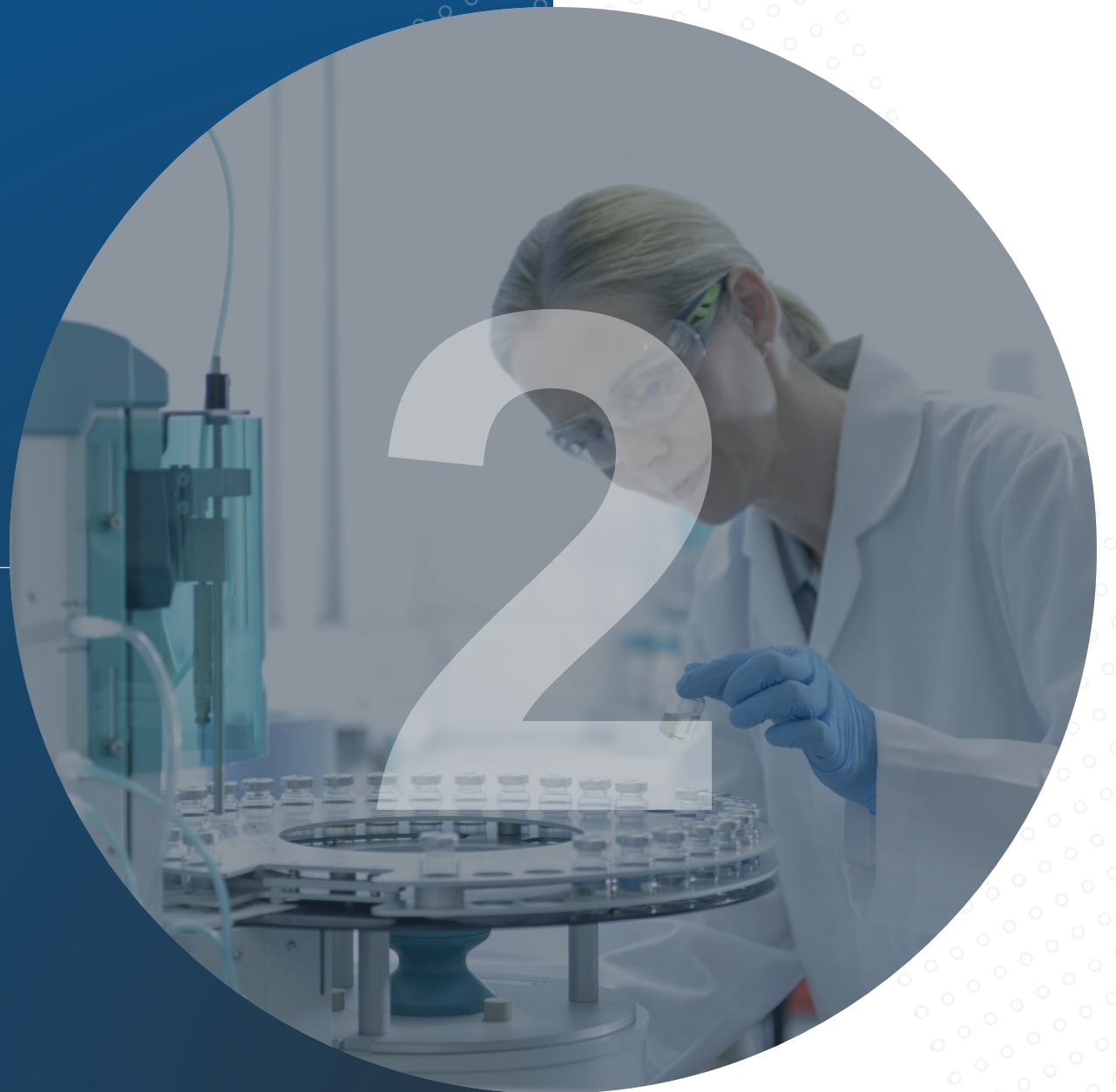
Savings from biosimilars in 2024: **\$36B**

Generics and biosimilars account are 90% of prescriptions but only account for 13% of spending



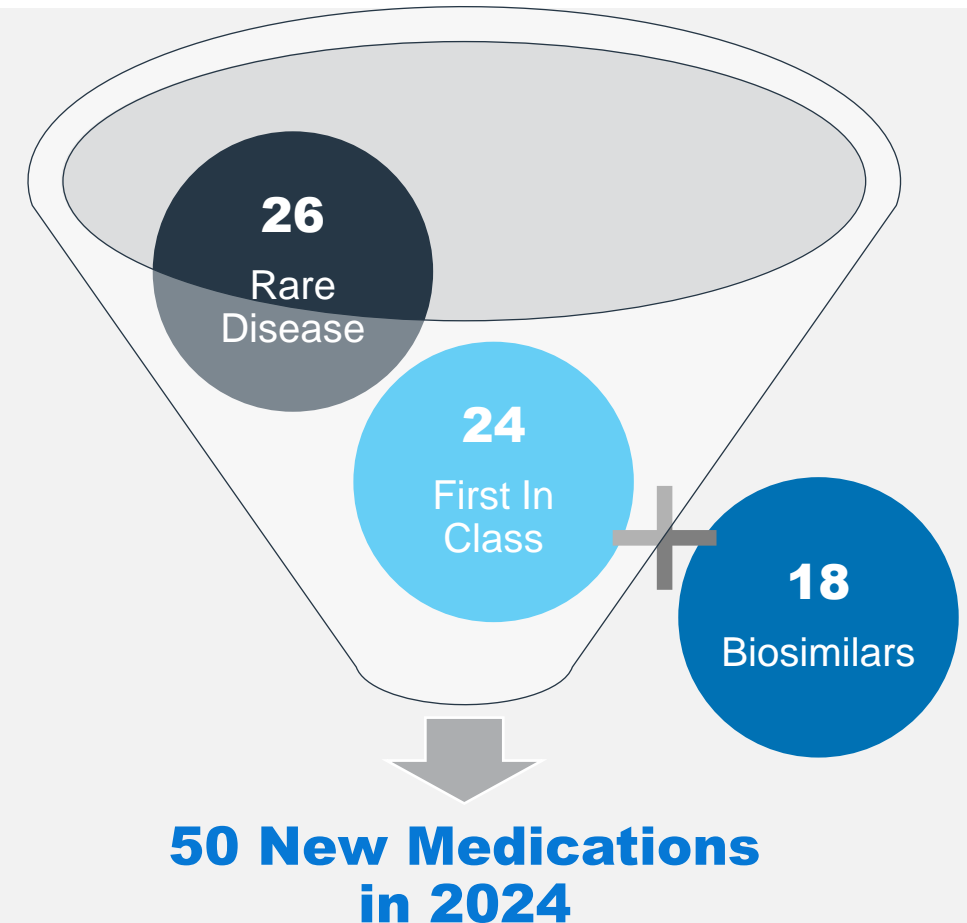
# Clinical Pipeline

## Cost Implications of Innovative Treatments



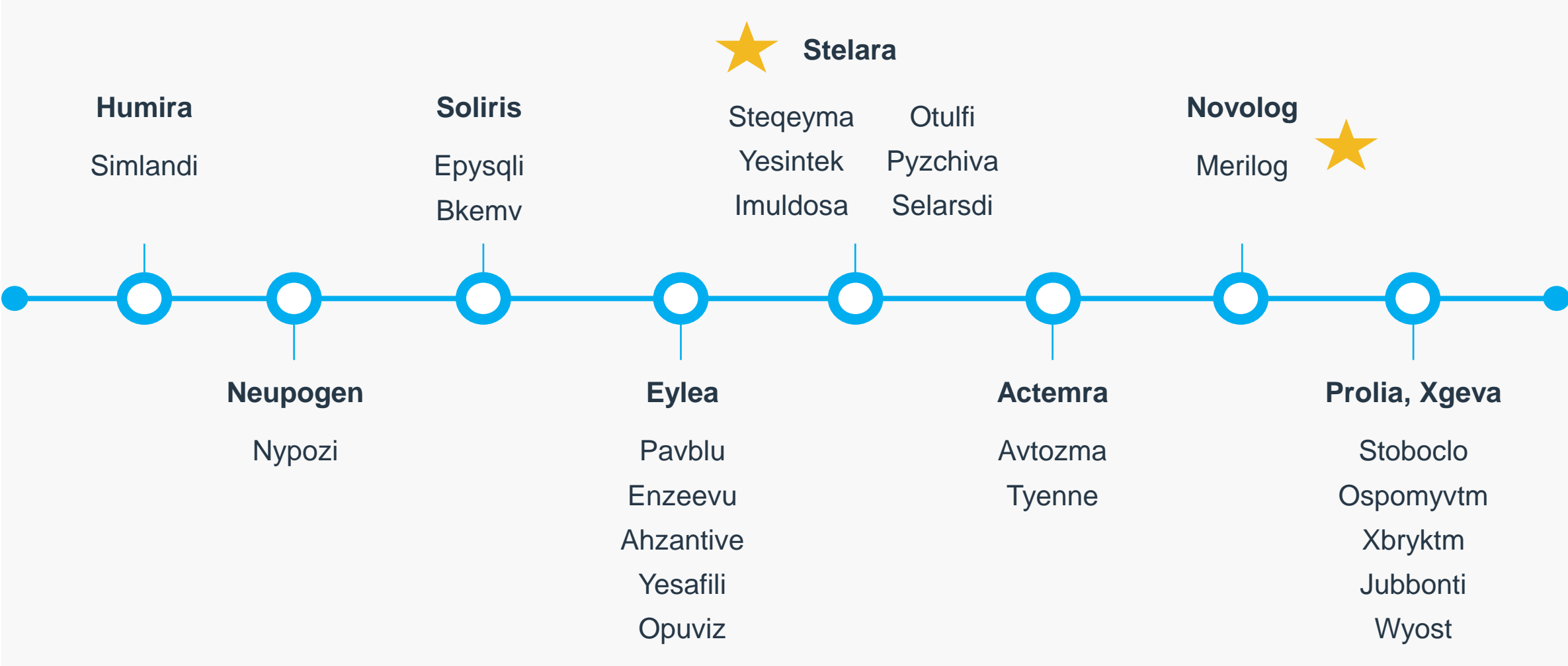
# FDA Landscape

- The Center for Drug Evaluation and Research (CDER) approved 50 novel medications in 2024
- Biosimilar approvals continued to enhance competition to reduce cost to patients and the overall health care system
  - 3 reference products in 2024 had no previously approved biosimilars
  - 8 of the 18 approved in 2024 were aimed at those reference products
    - Soliris
    - Prolia and Xgeva
    - Eylea
- The pace at which a biosimilar approval and the uptake in the market has increased dramatically but there is more to be done by legislators to encourage ingenuity



CDER New Drug Therapy Approvals 2024 <https://www.fda.gov/media/184967/download?attachment>

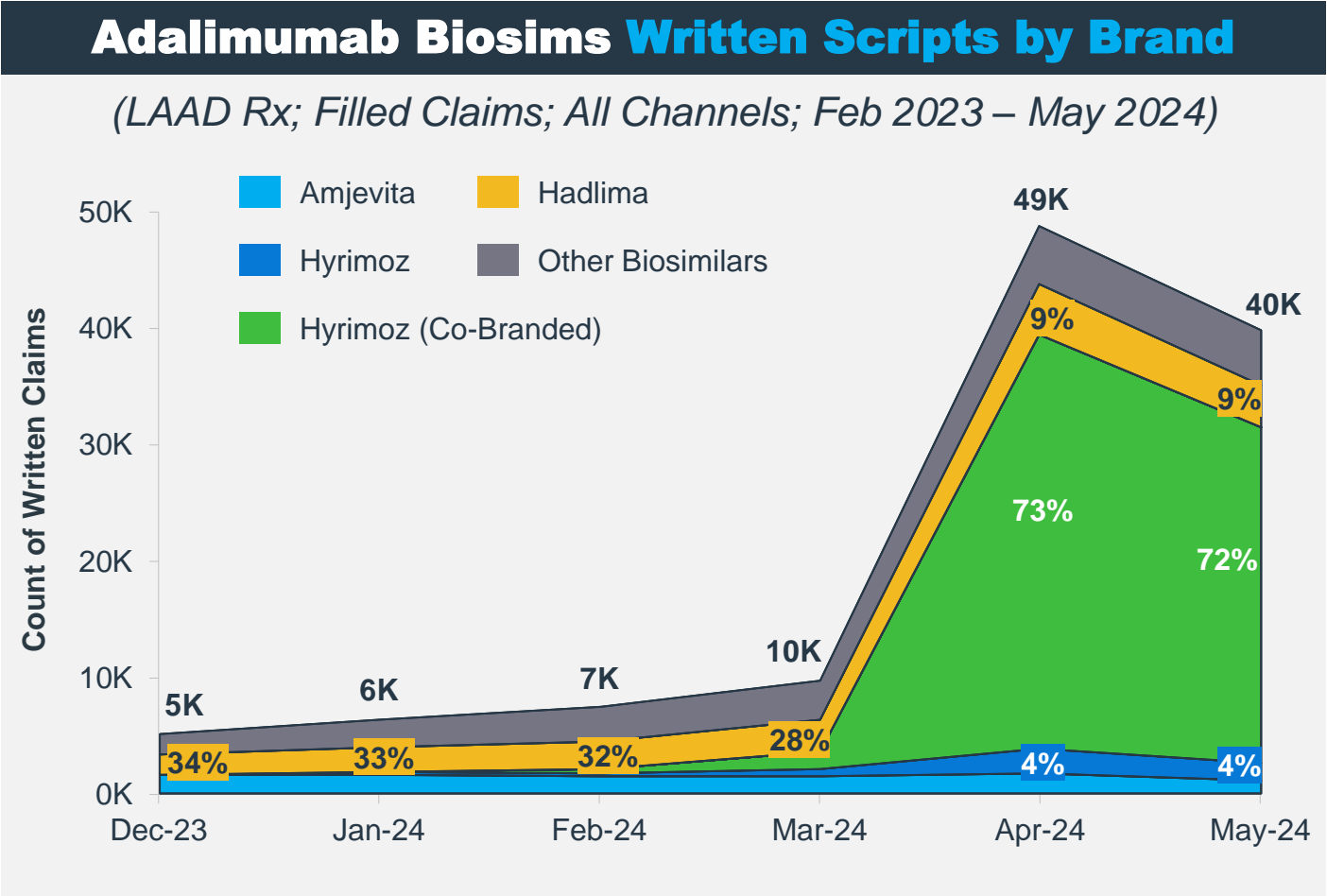
# 2024-2025 Biosimilar Approvals





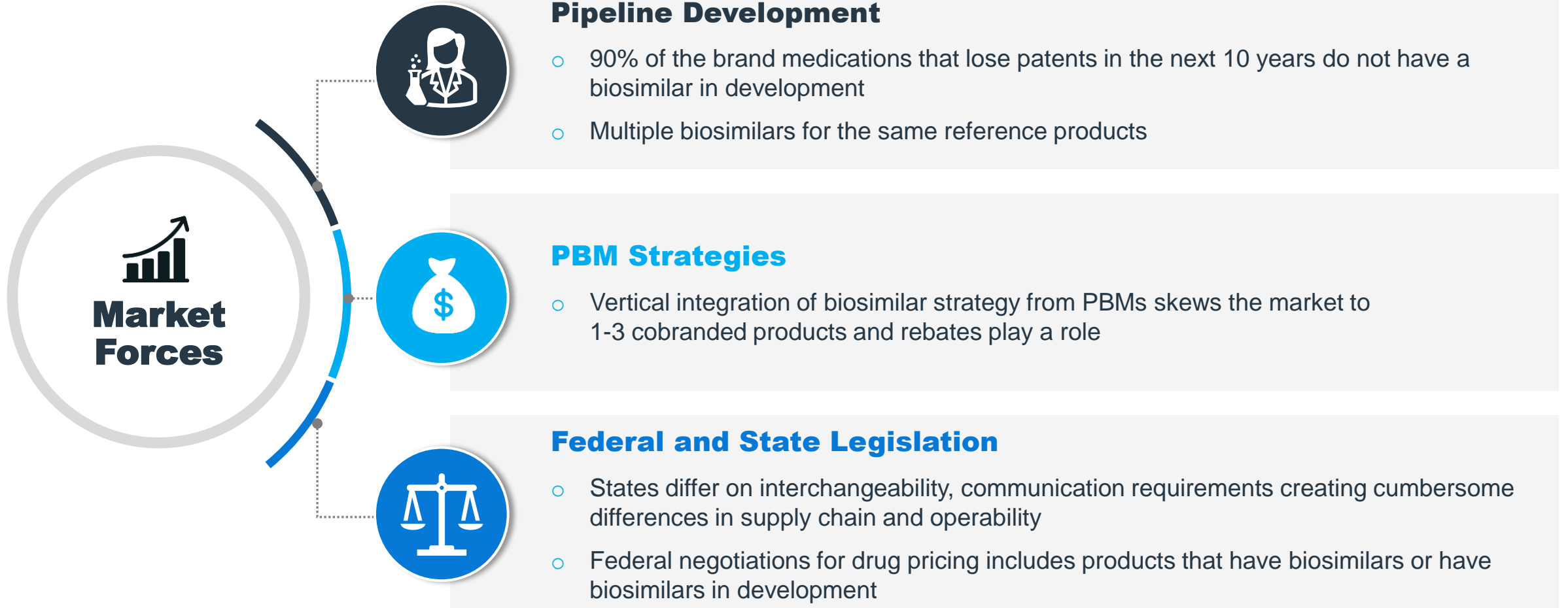
# Cost Implications: Biosimilars

- Before 2024, lack of legislative pressures, rebate environment and lack of comfortability at the prescriber level caused biosimilar adoption to fall short
- Market disruptors helped accelerate these changes by challenging PBMs to rethink their biosimilar strategy
- **2025:** Gain confidence in your understanding of your PBM partners biosimilar strategy

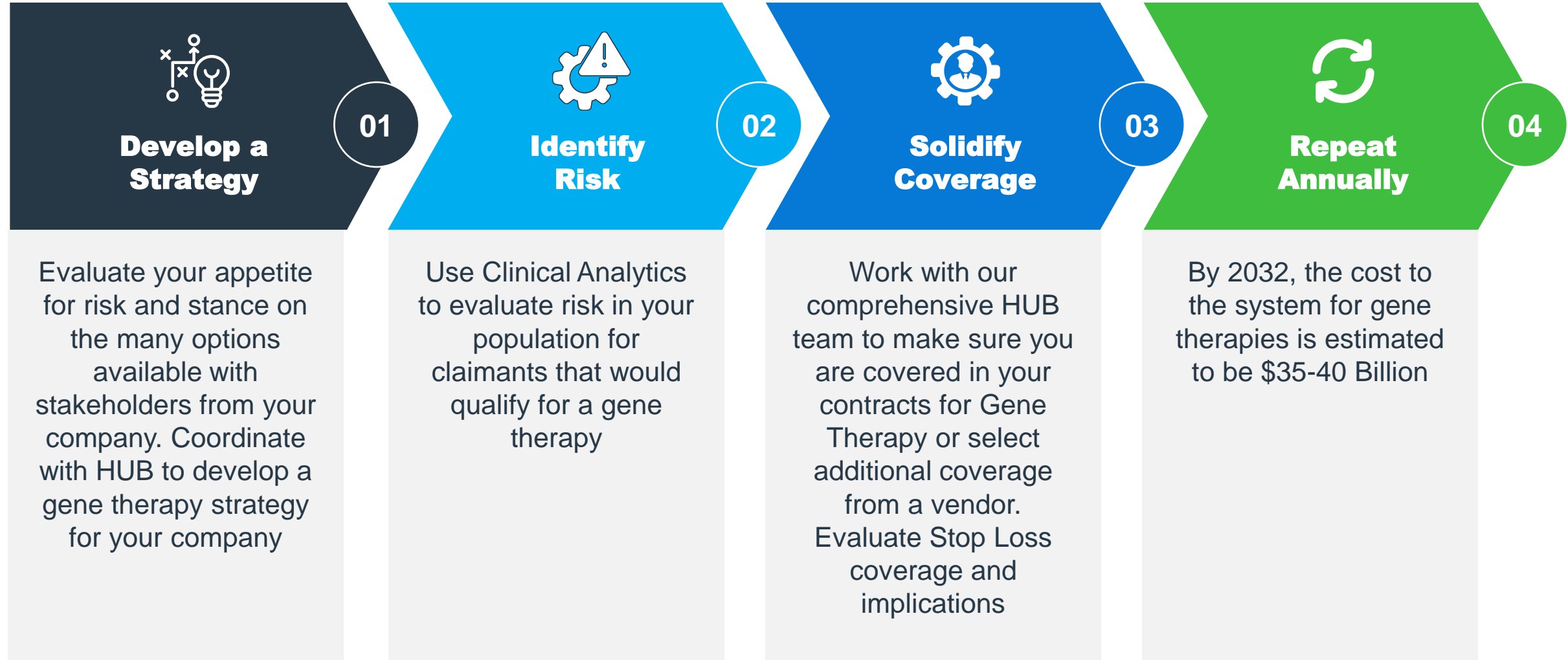


<https://biosimilarscouncil.org/wp-content/uploads/2024/08/202408-IQVIA-AAM-Adalimumab-Biosimilar-Launch-Tracking-Q3-Report.pdf>

# Looking Forward: Biosimilars



# Cell and Gene Therapy



# Strategic Contracting Insights

Pharmacy Benefit Managers (PBM)



# Macro PBM Landscape 2025

## FTC Investigation

September 20th, 2024, FTC sues CVS Caremark, Express Scripts, and OptumRx alleging they artificially inflate prescription drug prices.

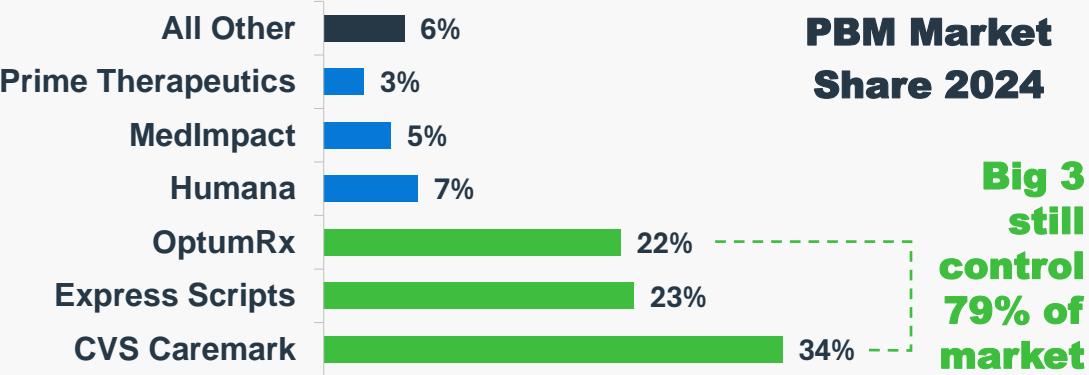
January 14th, 2025, FTC released second report for markups in cancer, HIV, and other specialty generic drugs.

## Pharma Funding

**Pharma historically provided funding for various models. There are signs of funding dwindling and may even cease.**

- **Coupons:** Manufacturers tightening eligibility criteria.
- **Patient Assistance:** AbbVie pulled out 3 top drugs (including Humira) at the onset of 2024.
- **340B:** Drug manufacturers push back on HRSA & 340B program November 2024 to revise program drug reimbursement process (JNJ, NOVO, etc.).

## PBM Market Shares



## Retail Pharmacy Struggles

### Walgreens is closing 1,200 stores

By Jordan Valinsky, CNN  
3 minute read · Updated 10:09 AM EDT, Tue October 15, 2024

- Compressed margins due to spread pricing and poor reimbursement
- Online and mail order pharmacies have grown in popularity stealing script volume
- Front of store sales declined + theft increases

# Key Components of PBM Contracts





# PBM Contracting Components AWP Discount & Rebates

## AWP Discounts

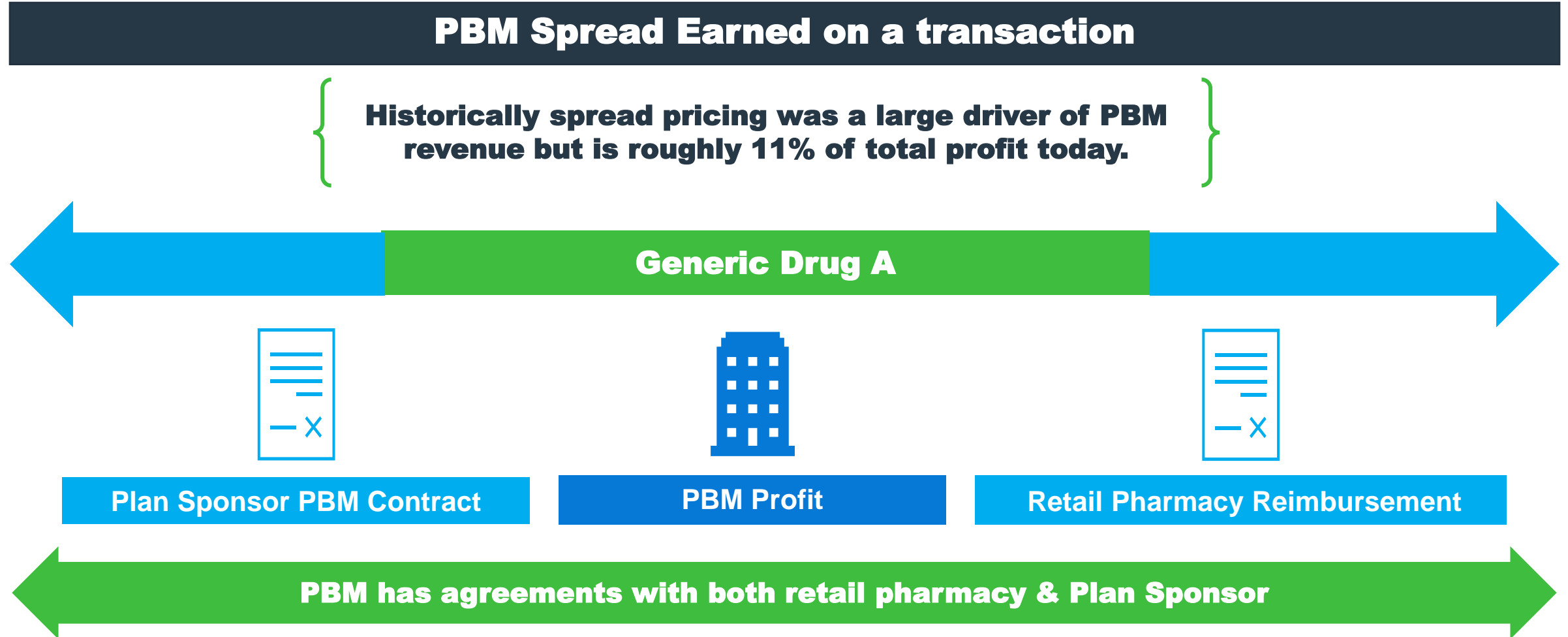
- PBM discounts are indirectly correlated to the reimbursement that the retail pharmacies receive in their aggregated contract networks.
- PBMs provide discount based off Average Wholesale Price or AWP.
  - \*Generic discounts tend to be 80-90% off AWP of the drug.
  - \*Brand discounts tend to be 15-25% off AWP of the drug.

## Pharmacy Rebates

- PBMs contract with brand drug manufacturers to provide additional discounts called Rebates.
- Rebates are collected from the manufacturer post claims adjudication and are passed through to the plan sponsor once reconciled.
- Guarantees are based on the dispensing pharmacy:
  - Retail 30
  - Retail 90
  - Mail
  - Specialty

*\*AWP discounts are illustrative and do not represent actual contract rates.*

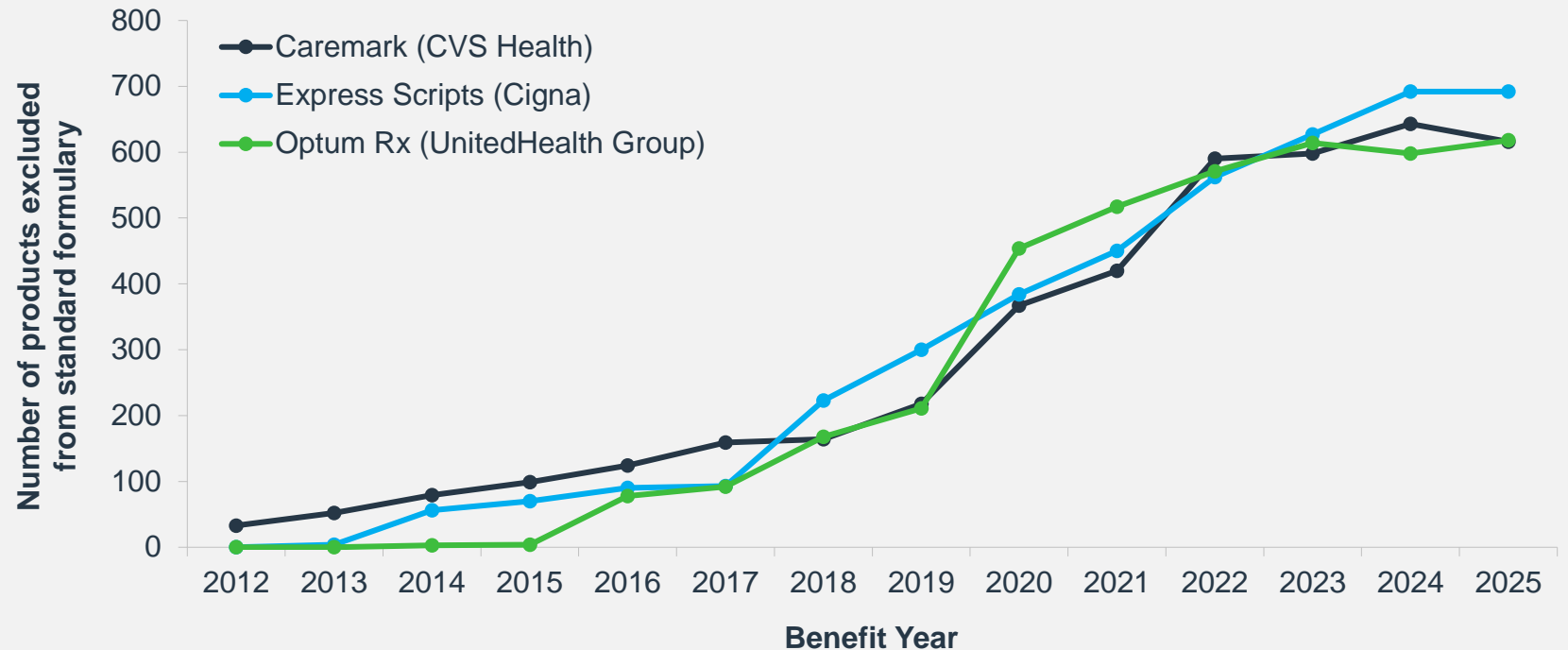
# What is PBM spread pricing?



# How do formularies impact my guarantees?

- Since 2012 PBMs have selectively excluded drugs (brands) to help drive contract economics.
- The number of excluded drugs by the big 3 have grown and are at the point of a plateau. Largely due to there aren't as many drugs as possible to exclude anymore.
- Through these drug-level exclusions, PBMs have driven plan sponsor contract guarantees to improve year over year.

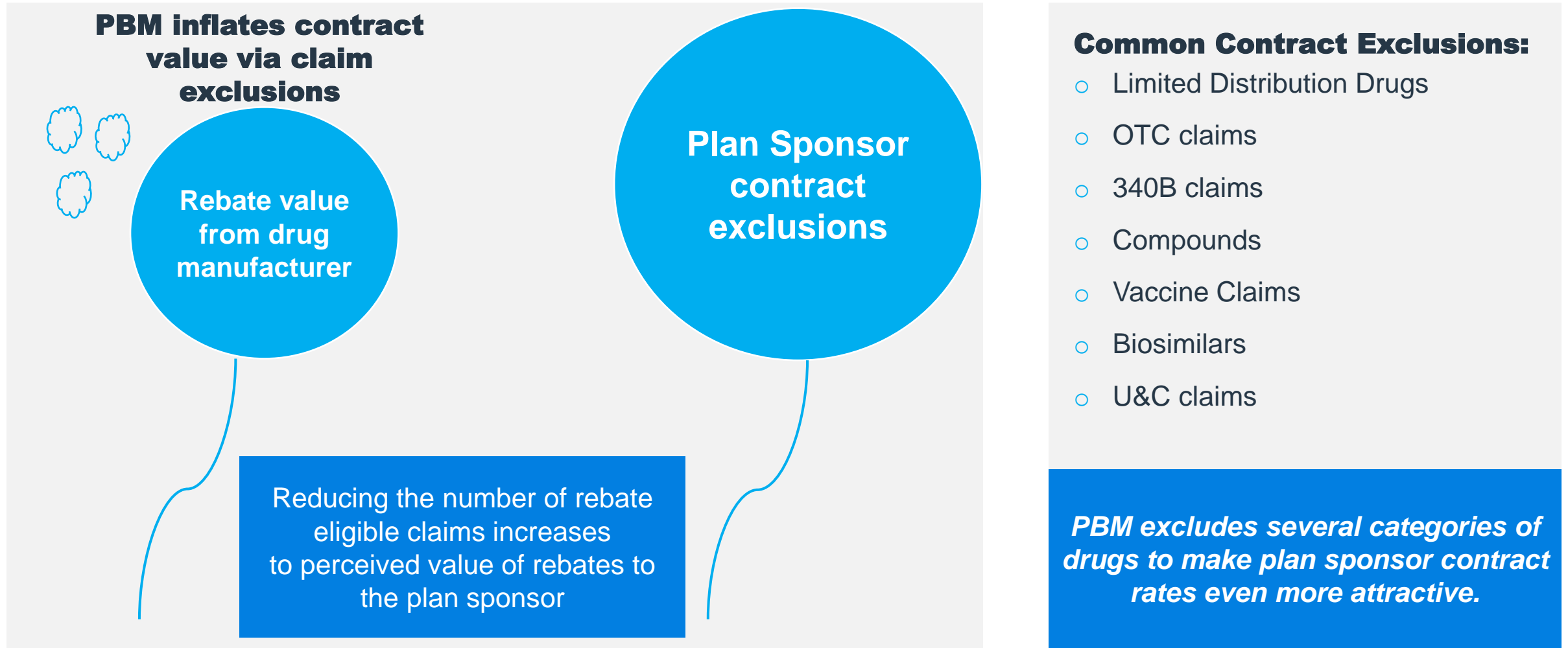
**Number of Products on PBM Formulary Exclusion Lists, by PBM, 2012 to 2025**



**Source:** Drug Channels Institute analysis of company reports; Xcenda. Multiple formulations of a drug were counted as a single exclusion. Note that some data have been restated due to midyear additions to exclusion lists. Express Scripts did not publish exclusion lists before 2014. Optum Rx did not publish exclusion lists before 2016. Note that PBMs may exclude many of the same medications, so certain products may appear on multiple lists. Published on Drug Channels ([www.DrugChannels.net](http://www.DrugChannels.net)) on January 22, 2025.

Source - Drug Channels: The Big Three PBMs' 2025 Formulary Exclusions: Humira, Stelara, Private Labels, and the Shaky Future for Pharmacy Biosimilars

# How do exclusions create contract optics?



# Strategic Contracting Insights

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Stop Loss



# Stop Loss Insurance

**Form of reinsurance that protects self insured employers from catastrophic or unpredictable losses**

## Individual Stop Loss



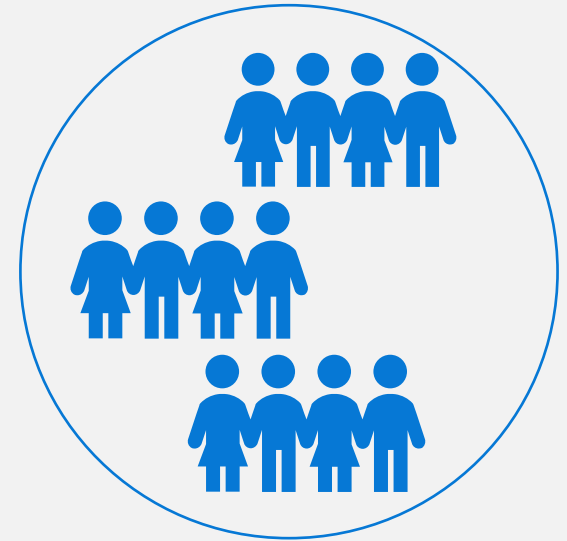
Activated by claims exceeding a predetermined threshold for a single individual

## Aggregate Stop Loss



Activated by claims exceeding the expected threshold by a certain percentage for the whole organization

## Captive



A group of companies joining together to form a medium for taking on risk



# Features and Benefits of Stop Loss

## Key Features

- Typically renewed annually
- Deductibles/attachment points can be adjusted based on risk tolerance
- Usually includes both specific and aggregate coverage
- Main contract terms are identified by two numbers (i.e., 12/12)
  - First number = Incurred period in months
  - Second number = Paid period in months

## Benefits

- Provides financial protection against catastrophic claims
- Allows organizations to self-fund while maintaining protection
- Can be customized to organization's needs and risk tolerance
- Often more cost-effective than fully-insured plans

## Key Takeaway

Stop Loss insurance does not directly pay employee claims; it reimburses the employer from claims that exceed the predetermined threshold

# Individual Stop Loss (ISL)





- Individual Stop Loss Coverage: Covers the cost of a single employee's expensive claim
- Total Paid Claims: \$475,000
  - Member 1 \$250,000
  - Member 2 \$150,000
  - Member 3 \$75,000
- After Stop Loss Contract is Executed:
  - Organization paid \$275,000
  - Stop Loss Reimbursement \$200,000



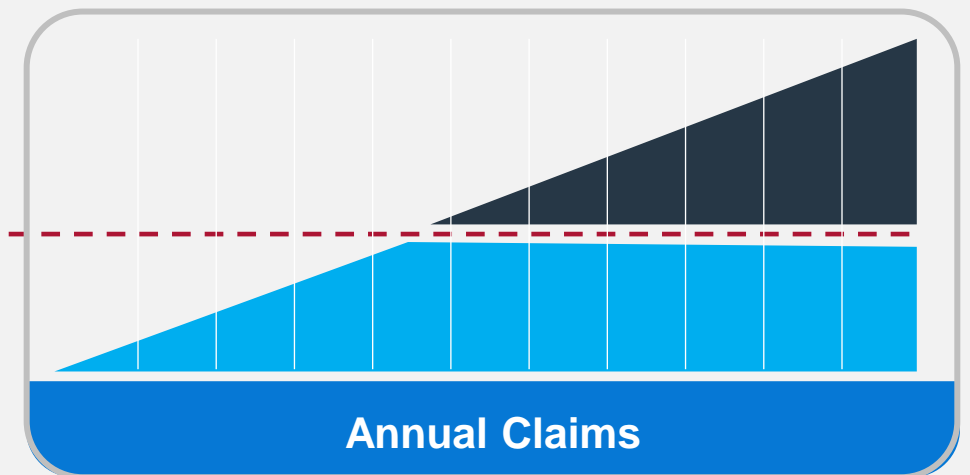
# Aggregate Stop Loss (ASL)

- Aggregate Stop Loss Coverage: Limits claim coverage (losses) to a specific pre-established threshold known as the “attachment point” or “specific deductible”
- Protects against the combined cost of everyone’s claims over a set amount within the policy year
- Provides protection against increases in individual and group-level costs
- Threshold is set based on the employer’s risk tolerance and desired level of protection
- Attachment points are calculated from factors that influence the loss experience such as policyholders’ risk profiles and demographic trends
- Clients are reimbursed for claims above the attachment point
- **Benefits: risk management stability, cost predictability and budgeting, customizable coverage and support for SF plans**

**Aggregate Threshold** - - - - -

-  Excess Claim - reimbursed
-  Cumulative Annual Claims

## Aggregate Stop Loss Protection



# Contract Types and Terms

Contracts establish specific period that employer and stop loss insurance carrier are liable for

**Key Terminology:**

- **Run-in Risk:** Covers claims incurred 3, 6, or 12 months prior the contract period and during the contract period
  - Example: 15/12, 18/12, 24/12
- **Run-out Risk:** Covers claims incurred during the contract period and paid 3, 6, or 12 months after the contract ends
  - Example: 12/15, 12/18, 12/24 and TLO
- **Terminal Liability Option (TLO):** Covers claims incurred prior to cancellation but presented for payment up to 12 months after the cancel date;  
\*alternative protection for run out obligation.

Year One	Year Two	Year Three		
January-December	January-December	Jan.	Feb.	Mar.

24/12	Incurred Time Period						
				Paid Time Period			

12/12				Incurred Time Period			
				Paid Time Period			

12/15				Incurred Time Period			
				Paid Time Period			

# Stop Loss Laser



- Insurer places a lower level of coverage or higher attachment point on an individual or group of people
- Most often, these individuals have a known chronic health condition—such as diabetes, heart disease, or cancer—which places them at a higher risk of costly medical claims.
- An insurance company's stop-loss underwriters identify high-risk individuals based on various factors.
- Your insurer adds a laser to the policy outlining a higher deductible or lower level of coverage for the high-risk individual or group. In return, you pay a lower premium.

## Factors that trigger the use of a laser:

- Medical claim history and frequency
- The health of your workforce
- Industry-specific risks (i.e., construction or manufacturing)
- Your group size: For smaller groups, the risk of an individual with higher costs is more significant
- Your plan's standard attachment point
- Your plan's premium

### Example

Laser is \$500,000, you're responsible for paying that amount out-of-pocket. The insurer will pay any claims for the high-risk individual or group that exceeds \$500,000.

# Case Study

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# Case Study: Cystic Fibrosis

**Patient #1** is 13 y.o. dependent, new to the plan for 2025, who was born with cystic fibrosis (CF). The patient is currently being treated with Trikafta but the member contacted HR because their child will be switching to the new medication, Alyftrek

The HR associate contacted their HUB team to help them better understand the current benefits around recently approved medications such as Alyftrek and other considerations they might need to take for next year's benefit negotiations.

- Alyftrek average PBM pricing: **\$32,824/month**
  - About **\$399,358 annually**



# Case Study: Cystic Fibrosis – Clinical Consulting

## Clinical Analytics Review

- Are they receiving care at a CF treatment center that is accredited by the CF Foundation?
  - Yes! This is good news, seeing a specialized provider at a center of excellence for that disease state is a great cost containment strategy as they are likely receiving the correct monitoring and screenings to be able to catch other issues related to CF early.
- Is the patient a candidate for a lung transplant? What other organ systems have shown involvement?
  - Generally, transplants are not seen before age 12, therefore it is possible this patient would need a transplant. Thankfully, this patient is not showing signs of liver disease which is often detected before age 10. They are showing signs of metabolic syndrome however, which could lead to CF related diabetes.
- What other medications is the patient currently on?
- Are they currently getting any other therapies? Physiotherapy? Physical therapy? Nutritional therapies via a PEG tube?
- When was their last hospital stay? How severe was the stay?

# Case Study: Cystic Fibrosis – Pharmacy Contracting

## Scenario

Self-funded client is in a bundled arrangement with their current Medical Carrier & PBM. The current contract has the following attributes:

- Unreconcilable Brand/Generic definition
- Unfavorable reconciliation terms
- No rights to audit manufacturer or PBM
- Below market AWP discounts & Rebate Guarantees

## Solution

HUB Pharmacy Team evaluated the spectrum of solutions in the PBM market. Reviewing pass-through PBMs, Coalitions as well as direct arrangements with PBMs. A full RFP was launched which resulted in the client selecting a carved-out PBM solution delivering 22% net cost savings over their current arrangement. Formulary & Network disruption was mitigated with thorough communication in the Open Enrollment process.

# Case Study: Cystic Fibrosis – Stop Loss

## Laser Mitigation

- If this patient was not already lasered, clinical consultants can review claims and help negotiate laser cost thresholds.
- If already lasered, use of clinical data to forecast laser liability and transplantation risk.

## Partner with Compliance and Financial Consultants

- Maximize your HUB partnerships to evaluate the data.
- Collaborate with clinical consulting if a laser or laser potential exists for evaluation and appropriateness.

## Stop Loss Trends

- Evaluation of treatment modalities, FDA approved, Standards of Care and Clinical Trials.
  - Various programs of additional coverage above stop loss deductible for alternative cost containment opportunities.

# Q&A

# Thank you

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For more information visit [www.hubinternational.com](http://www.hubinternational.com)





# Glossary of Terms

- **ASL** – Aggregate Stop Loss
- **AWP** – Average Wholesale Price
- **Biosimilar** – a “highly similar,” but not exact, copy of a biologic medication already approved by the FDA
- **BUCA** – stands for Blue Cross and Blue Shield, UnitedHealth Group, Cigna, and Aetna; BUCA is commonly used to refer to the dominant players in the healthcare insurance market
- **Captive** – group of companies joining together to form a medium for taking on risk
- **GLP-1** – Glucagon Like Peptide-1 Receptor Agonist
- **GPO** – Group Purchasing Organization; an entity that helps healthcare providers save money by negotiating with suppliers
- **HRSA** – stands for Health Resources and Services Administration, an agency of the U.S. Dept of Health and Human Services (HHS)
- **ISL** – Individual Stop Loss
- **Laser/Stop Loss Laser** – insurer places a lower level of coverage or higher attachment point on an individual or group of people
- **OTC** – Over-the-Counter
- **PBM** – Pharmacy Benefits Manager
- **Rx** – Pharmacy or Pharmaceutical
- **Stop Loss Insurance** – a form of reinsurance that protects self-insured employers from catastrophic or unpredictable losses
- **TLO** – Term Liability Option
- **U&C** – Usual and Customary
- **340B** (Drug Pricing Program) – a federal law that requires Rx manufacturers to offer discounted prices on covered outpatient drugs to eligible covered entities like community health centers, hospitals and other organizations serving low-income and uninsured patients