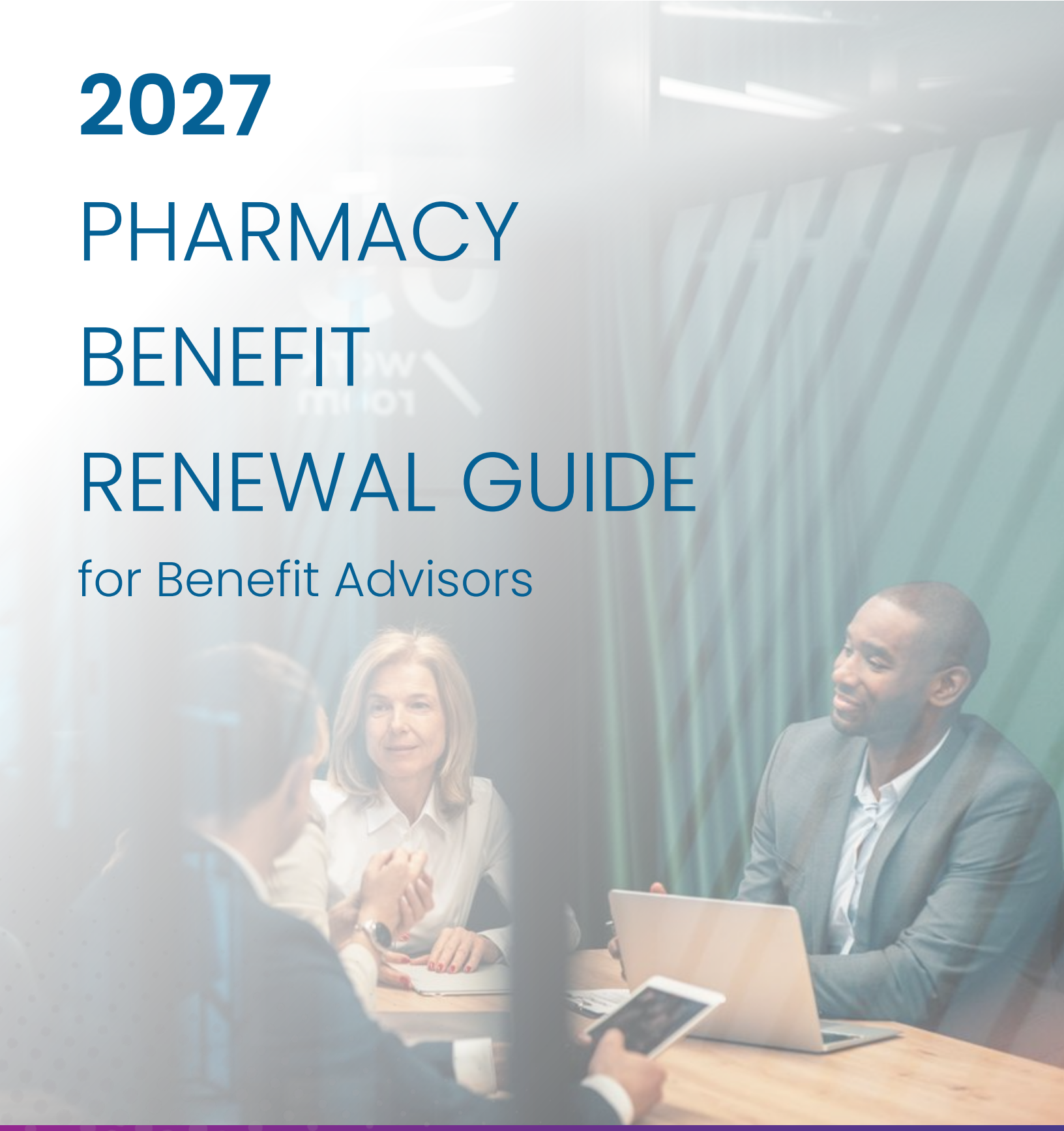
# 2027

# PHARMACY BENEFIT RENEWAL GUIDE

## for Benefit Advisors



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# 2027 Pharmacy Benefit Renewal Guide for Benefit Advisors

### 5 Questions Every Broker Should Ask Before Pharmacy Benefit Renewal

As specialty drug utilization grows and pharmacy costs become increasingly difficult to forecast, benefit advisors are under greater pressure to help clients manage both cost and risk. This guide outlines key considerations to help evaluate pharmacy benefit programs during renewal season.

## WHY PHARMACY BENEFITS DESERVE A CLOSER LOOK

Many employers approach pharmacy benefit renewals focused on discounts, rebates, and contractual guarantees. While these factors remain important, they may not address a growing concern for finance and HR teams:

- **Can pharmacy costs be predicted with confidence?**
  Unexpected specialty claims, utilization shifts, annual reconciliations, and changing market dynamics can create significant budget challenges even when a plan appears well managed.

  As clients prepare for 2027 renewals, advisors should evaluate not only how much a pharmacy program costs, but also how predictable those costs will be throughout the plan year.



# FIVE QUESTIONS TO ASK ANY PBM BEFORE RENEWAL

## 1 Who Assumes the Pharmacy Risk?

**Ask:**
- Does the employer assume the full risk?
- Is risk transferred to an insurance arrangement?
- What happens if claims significantly exceed projections?

**Why it matters:**
Risk allocation can have a direct impact on budget stability and financial planning.

## 2 Is There an Annual Reconciliation?

**Ask:**
- Are costs settled at year-end?
- Could the client owe additional funds after the plan year?
- Are there opportunities for return-of-savings?

**Why it matters:**
Final costs may differ significantly from projected costs.

## 3 Are There Benefit Maximums or Coverage Limitations?

**Ask:**
- Are there annual or lifetime benefit caps?
- How are high-cost members handled?
- What protection exists for catastrophic claims?

**Why it matters:**
One high-cost claimant can materially change plan performance.

## 4 How Does the PBM Make Money?

**Ask:**
- Are incentives aligned with managing costs?
- Is revenue tied to prescription spending?
- How transparent is the pricing model?

**Why it matters:**
Understanding financial incentives can help identify potential conflicts of interest.

## 5 Can Costs Be Predicted Before the Plan Year Begins?

**Ask:**
- Can pharmacy costs be budgeted with confidence?
- Are monthly charges fixed?
- What level of financial uncertainty remains?

**Why it matters:**
Predictability has become one of the most valuable features of an effective pharmacy benefit strategy.

## PHARMACY RISKS THAT MAY IMPACT BUDGETING AND FORECASTING

### Stop-Loss Does Not Eliminate All Pharmacy Risk

While stop-loss coverage can help protect against catastrophic claims, employers may still face:

- Pharmacy trend increases
- Emerging drug therapies
- Utilization fluctuations
- Prescription inflation
- Budget variance throughout the year

**Questions to Consider**

1. Can clients reliably forecast pharmacy spend?
2. Are pharmacy costs creating budget uncertainty?
3. Are HR and finance teams comfortable with current risk levels?

## SPECIALTY DRUG CONSIDERATIONS

### One Prescription Can Change Everything

Specialty medications continue to represent an increasing share of pharmacy spending. Net specialty costs in 2025 were $1,251 PMPY and are expected to increase by 32% in 2028[1].

**Examples include:**

- Gene therapies
- Oncology treatments
- Rare disease medications
- GLP-1 medications

**+32% Projected Increase in Specialty Drug Costs by 2028[1]**

**One prescription can change everything.**

While these therapies can provide tremendous clinical value, they can also introduce significant financial uncertainty.

**Questions Renewal Discussions**

1. How are specialty drugs currently managed?
2. What happens when a high-cost therapy enters the plan?
3. How could a single claimant impact overall plan performance?
4. Is the client prepared for unexpected utilization growth?

## FINANCIAL ACCOUNTABILITY AND RISK MANAGEMENT

### Why Incentive Alignment Matters

When evaluating pharmacy benefit vendors, advisors should understand how financial incentives align with client outcomes.




The strongest arrangements often create shared accountability for plan performance and long-term cost management.

## STRATEGIES FOR IMPROVING PHARMACY COST PREDICTABILITY

While every employer has unique needs, organizations seeking greater budget certainty often prioritize:

- **Fixed Monthly Program Charges**
  Reduce year-end surprises and simplify budgeting.
- **Protection from Unexpected Pharmacy Costs**
  Insulate employer's budget from the financial impact of utilization spikes and other drivers of pharmacy cost volatility.
- **Financial Accountability**
  Ensure interests remain aligned with controlling costs.
- **Flexible Plan Design**
  Maintain the ability to customize benefits while managing risk.
- **Clinical Management Programs**
  Support member outcomes while promoting responsible utilization.

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# COMPETITIVE BID FINANCIAL ANALYSIS

## Evaluating the Value of Risk

**Client Name:** ABC Healthcare Services
**Number of Cardholders:** 353
**Contract Period:** 9/1/2025 - 8/31/2026

| | Data Input | Incumbent | Benecard Services |
|---|---|---|---|
| **Overview of Plan Paid Cost (1/1/2023-12/31/2023)** | | *Current* | *Proposed* |
| Gross Paid Claim Amount | | $ 1,643,157 | |
| Member Cost Share | | $ - | |
| **Claims Paid by ABC Healthcare Services** | | $ 1,643,157 | **Benecard's offering is risk free. Trend and corridor are included.** |
| Trend (20 Months at 15%) | 25.00% | $ 410,789 | |
| **Expected Claims (9/1/2025 - 8/31/2026)** | | $ 2,053,947 | |
| Stop Loss Corridor | 120% | $ 410,789 | |
| **Maximum Exposure for ABC Healthcare Services** | | **$ 2,464,736** | **$ 1,444,335** |
| Medical/Rx ASO Fee (PEPM) | $ - | $ - | n/a |
| Rx ASO Fee Credit (PEPM) | $ - | $ - | $ - |
| Pharmacy Carveout Fee (PEPM) | $ 5.00 | n/a | $ 21,180 |
| PBM Connection Fee (PEPM) | $ - | n/a | $ - |
| UM Package/Connectivity Fee (PEPM) | $ - | n/a | $ - |
| Administrative/Transaction Fee (PEPM) | $ 0.50 | $ - | $ 2,118 |
| Rebates and Credits from PBM (Plan Year 2023) | n/a | $ (302,613) | *Included in our total program charges |
| Estimated Clinical Programs Fees to Match Benecard Programs (PEPM) | $ 2.50 | $ 10,590 | *Clinical programs included at no additional cost in our total program charges |
| Estimated Rebate Lag (2 quarters - First year only)* | n/a | n/a | $ (151,306) |
| Projected Stop Loss Premium Savings (% of Rx Claims) | 5% | n/a | $ (64,594) |
| **Net Paid By ABC Healthcare Services (9/1/2025 - 8/31/2026)** | | **$ 2,172,713** | **$ 1,251,733** |
| **Percent Change to Current** | | **n/a** | **-42%** |

In addition to the projected savings illustrated above, ABC Healthcare Services will receive a **Return of Savings credit for positive claims experience**, established at **120% of program cost for the 12 month period.**

*ABC Healthcare Services should also realize **a cash benefit of two quarters of unpaid rebate runout estimated at $-151,306** by moving to Benecard.

## COMPETITIVE BID FINANCIAL ANALYSIS - Evaluating the Value of Risk

| | |
|---|---|
| Client Name: | |
| Number of Cardholders: | |
| Contract Period: | |

| | Data Input: | Incumbent: | Carrier 1: | Benecard Services: |
|---|---|---|---|---|
| **Overview of Plan Paid Cost** | | *(current)* | *(proposed)* | *(proposed)* |
| • *Gross Paid Claim Amount* | *n/a* | $ | $ | *Benecard's offering is risk free. Trend and corridor are included.* |
| • *Member Cost Share* | *n/a* | $ | $ | |
| **Claims Paid by** | *n/a* | $ | $ | |
| • *Trend* | % | $ | $ | |
| **Expected Claims** | *n/a* | $ | $ | |
| • *Stop Loss Corridor* | % | $ | $ | |
| **Maximum Exposure for** | *n/a* | $ | $ | $ |
| • *Medical/Rx ASO Fee (PMPM)* | $ | $ | $ | $ |
| • *Rx ASO Fee Credit (PMPM)* | $ | $ | $ | $ |
| • *Pharmacy Carveout Fee (PMPM)* | $ | $ | $ | $ |
| • *PBM Connection Fee (PMPM)* | $ | $ | $ | $ |
| • *UM Package/Connectivity Fee (PMPM)* | $ | $ | $ | $ |
| • *Administrative/Transaction Fee (PMPM)* | $ | $ | $ | $ |
| • *Rebates and Credits from PBM (estimated)* | *n/a* | ($) | ($) | *Included in program charges* |
| • *Estimated Clinical Program Fees to Match Benecard Programs* | *n/a* | $ | $ | *Standard clinical programs included at no additional cost* |
| • *Estimated Rebate Lag (2 quarters – 1st year only)* | *n/a* | *n/a* | *n/a* | ($) |
| • *Projected Stop Loss Premium Savings* | *n/a* | *n/a* | *n/a* | ($) |
| **Net Paid by** | | $ | $ | $ |
| **Percent Change to Current** | | % | % | % |
| **RETURN OF SAVINGS:** | | ☐YES ☐NO | ☐YES ☐NO | ☐YES ☐NO |

## 2027 PHARMACY BENEFIT RENEWAL CHECKLIST

Before recommending a pharmacy benefit solution, ask:

- [ ] **Who assumes pharmacy risk?**

  Notes:

- [ ] **Is there an annual reconciliation?**

  Notes:

- [ ] **Are there coverage limits or benefit caps?**

  Notes:

- [ ] **How does the PBM generate revenue?**

  Notes:

- [ ] **Can costs be accurately forecast before the plan year begins?**

  Notes:

- [ ] **How are specialty drugs managed?**

  Notes:

- [ ] **What financial accountability exists?**

  Notes:

- [ ] **Will this arrangement improve budget predictability?**

  Notes:

## PHARMACY COST PREDICTABILITY STARTS WITH THE RIGHT QUESTIONS

As pharmacy costs continue to evolve, benefit advisors have an opportunity to help clients move beyond simply managing claims and toward achieving greater budget certainty, financial accountability, and long-term sustainability.

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**Let's Talk Pharmacy Benefit Cost Predictability**

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Sources:

1 https://www.psgconsults.com/press-release/psg-report-finds-specialty-drug-utilization-is-dominant-driver-of-trend-biosimilar-adoption-reshaping-the-market/