

Pharmacy Industry Update

8/4/2025

The pharmacy landscape is complex, growing faster than ever, and facing shifting market dynamics

Pharmacy is a vital component to modern healthcare, playing a crucial role in providing life-saving and life-enhancing medications for our members.

However, the escalating cost of drug therapies and other market forces pose a growing threat to both individual health and overall sustainability of the healthcare system.



Rising Cost of Individual Drugs

- Drug spend is **~1/3 of the healthcare dollar**
- **Specialty medications** account for **>50% total drug spending**, including drugs for chronic conditions like cancer
- Specialty medications will continue to be a major driver of costs with **75% of the drug development pipeline being specialty**



Legislative & Regulatory Pressure

- Federals and state legislative environments **increased focused on the pharmacy** supply chain
- **Growing regulation** impacting various stakeholders in the supply chain, including Pharmacy Benefit Managers, payers and manufacturers



Complicated & Opaque Value Chain

- Flow of money is **not transparent** and allows stakeholders to **increase prices** resulting in higher drug costs for the member
- Historically, little to **no regulation exists** to control financial gains for stakeholders
- Recent push within industry to **increase visibility** and **control spending**

Several other forces are at play and will continue to transform the pharmacy market

PBM Consolidation

The "Big 3" PBMs control 80% of the market, offering scale and negotiating power. Carve-outs continue to be a national trend, though studies show that carving-in pharmacy benefits is associated with 3.7% lower medical costs.

Consumer Sentiment

Only 20% of Americans view the pharmaceutical industry favorably, driven by concerns over high drug prices, perceived profit motives over member well-being, and ethical issues like overcharging government programs, and concealing data.

Pharmaceutical Innovation

*Major pharma companies are advancing **100+ novel compounds** across oncology, neuroscience, and metabolic diseases, with AI enabling faster target identification and clinical trial optimization*

Biosimilar Adoption

*Three of six top-spend biologics are expected to have **biosimilar competition** by 2030. Increased biosimilar availability requires pharmacies to promote uptake and manage substitution protocols to reduce costs.*

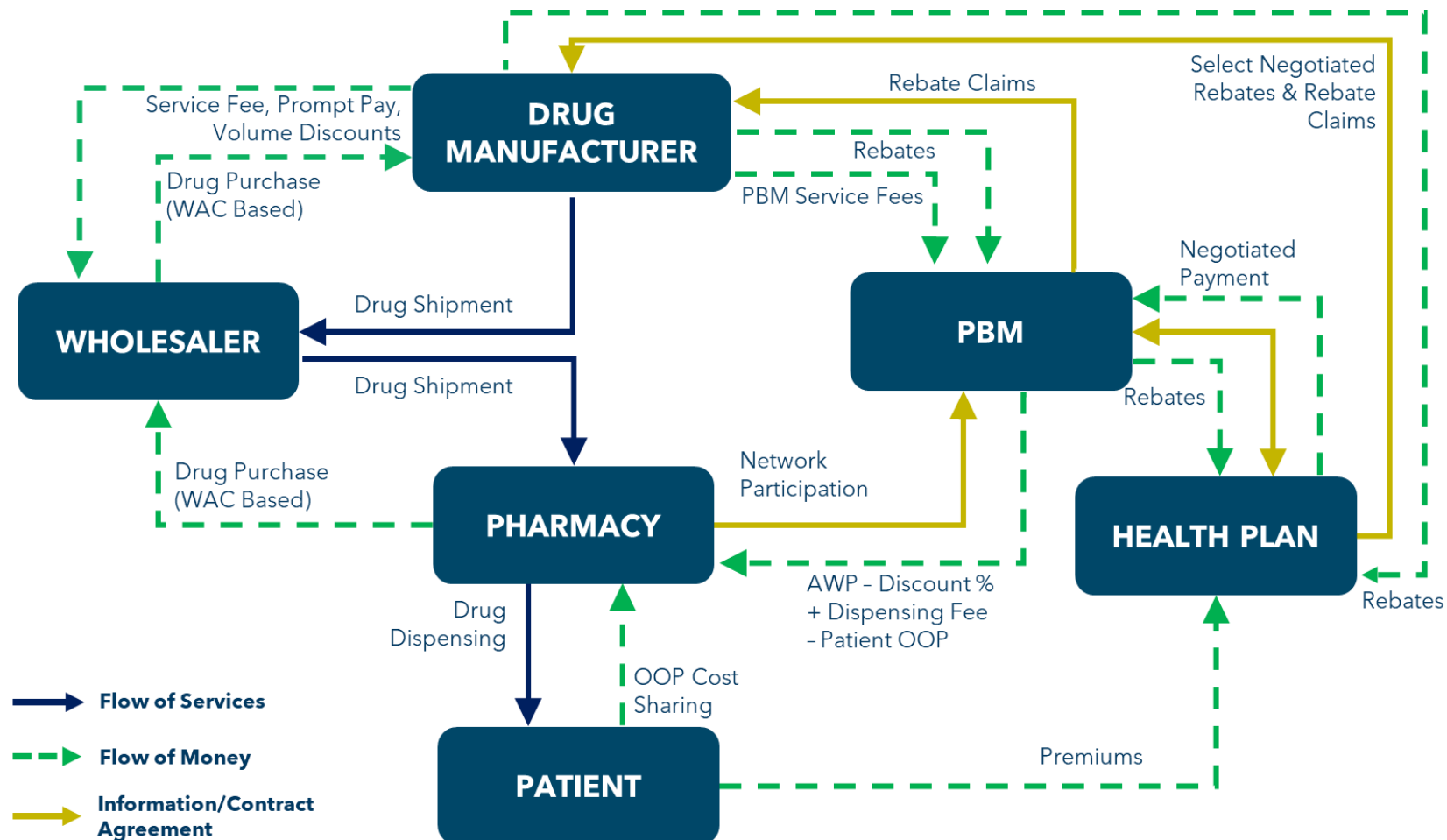
Clinical Efficacy

New drug therapies offer potential for improved health outcomes, including increased survival rates and better quality of life, ultimately leading to lower total cost of care.

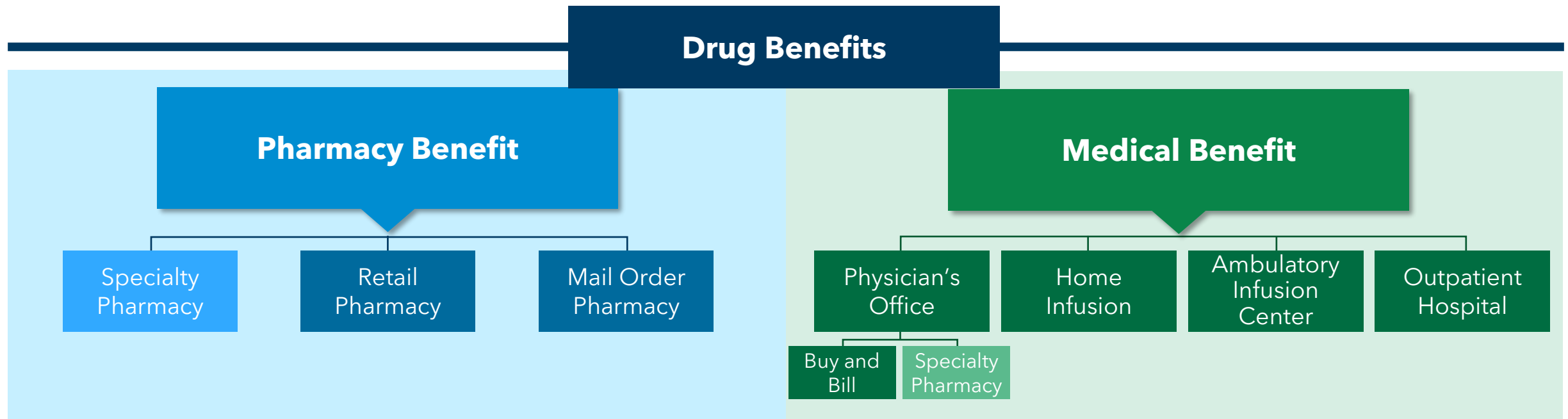
AI Integration

AI can streamline processes, personalize medication management, enhance safety, and improve outcomes through automation, formulary optimization, and improved adherence.

The pharmacy supply chain is complicated, and the flow of money and services is not transparent



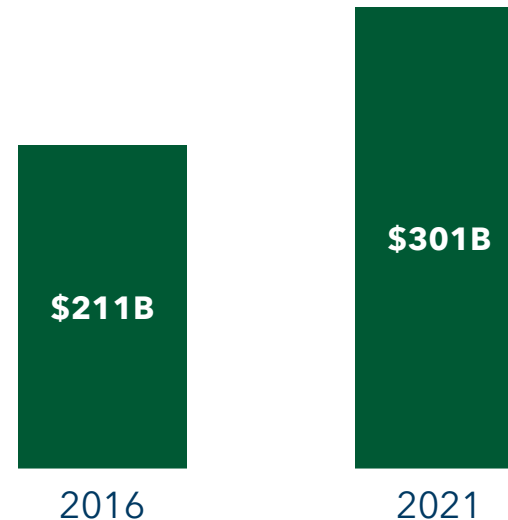
Drug therapies, covered by both the Pharmacy and Medical benefits can be accessed through multiple channels—adding to the complexity



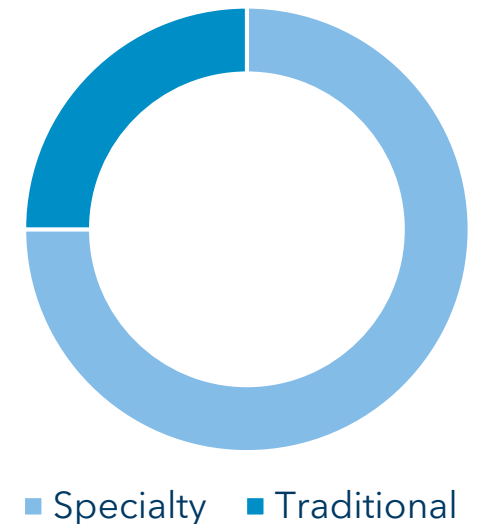
Spending on specialty drugs has steadily grown, driven by inflammatory disorders and cancer care.

- Specialty medications are **high-cost prescription drugs** used to treat complex, chronic, or rare medical conditions and usually require special handling.
- **Less than 5% of the population** uses specialty drugs, yet they comprise at least half of pharmaceutical spending.
- Specialty drug spending rose 42.5% from 2016 to 2021.
- The pharmaceutical pipeline has shifted dramatically toward specialty drugs. Availability has surged from under 30 (mid-1990s) to **~75% of 7,000 drugs** in development (mid-2024).

Specialty drug spending in the US increased by 42.5% between 2016 and 2021.



Specialty drugs represent 75% of the ~7k new drugs under development.



Impact of GLP-1s on Type 2 Diabetes and beyond

Over the past 15 years, the use of the GLP-1 class of medications for the treatment of type 2 diabetes has grown helping many patients achieve blood sugar goals and prevent further complications

GLP-1 spending hits \$5.8B for adults without diabetes

GLP-1 drugs could help prevent 34,000 heart attacks and strokes in the US each year, research suggests

Patients struggle as compounded GLP-1 access rapidly shrinks

GLP-1s Reduce Cardiovascular Risk Equally in Patients With Overweight, Obesity Regardless of Diabetes

GLP-1 Weight Loss Results Not as effective in everyday life, Study Finds



Cell & Gene Therapy Landscape

What is it?

Cell & Gene therapies are drug treatments that have ability to treat and potentially cure rare diseases, but with prices up to **\$4.25M** per one-time treatment.

What diseases are CGTs treating?

Leukocyte Adhesion Deficiency

Glycogen Storage Disease

Heart Failure with Reduced Ejection Fraction

Stargardt disease

Multiple Myeloma



~30

of CGT drugs FDA-approved.
13 with prices of **\$1M** per dose

2,445

Active CGT drugs in pipeline
today

30-50

of CGT approvals
expected by 2030



What is it?

A **biosimilar** is a biological product that is **highly similar** to and has no clinically meaningful differences in safety, purity, and effectiveness from the brand product

How are biosimilars managed?

A biosimilar **may be approved as interchangeable** to the reference product, meaning a pharmacist may substitute the biosimilar at the point of dispensing without a new prescription from the prescriber.



Reference product



Biosimilar

7

Biosimilars are slated for approval in 2025

60

of biosimilars in the market today

Innovative partnerships improve clinical outcomes through increased drug access and affordability

**Affordable Drug
Manufacturer**

Powered by

CIVICASCRIPT®

**Comprehensive
Specialty Drug
Management**

Powered by

**FREE
MARKET
HEALTH**

**Real-World
Evidence**

Powered by

evio®

**High-Cost
Drug Management**

Powered by

synergie medication™
collective

**Expert Clinical
Guidance**

Powered by

**World Renown
Clinicians**