



The Future of Pharmacy Benefits Management

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Table of Contents

Executive Summary	3
Battling the Cost Burden Crushing Patients and Employers	4
The Far-Reaching Impacts of Independent Pharmacy Closures	5
Shifting Trends in Pharmacy Care: Reshaping the PBM Landscape	6
Big Pharma's Role in the Rising Cost of Care	8
The Urgent Need for Federal Reform: Why State-Level PBM Reforms Aren't Enough	9
Reclaiming The PBM Industry's Founding Healthcare Mission	10



Executive Summary

The U.S. healthcare system is at a crossroads. Rising healthcare costs, driven by skyrocketing prescription drug prices, have placed an unsustainable financial burden on patients, employers, and the healthcare system at large. Prescription drug spending has tripled over the last 25 years and today, about one in five U.S. adults reports they have not filled a prescription in the past year due to the cost.¹

At the heart of this crisis lies the unchecked power of legacy pharmacy benefit managers (PBMs) who exacerbate existing challenges and create new ones in an already-broken healthcare system. First established nearly 50 years ago to manage the prescription drug transactions of employer-sponsored benefit plans and lower the costs of prescription medications, these PBMs – which control 80% of the market – have evolved into vertically integrated monopolies that prioritize profits over patients. By influencing what medications patients can access, where they can get them, and how pharmacies are reimbursed, PBMs control multiple levers that influence drug pricing and put significant financial strain on plan sponsors, patients, and independent pharmacies.

Large pharmaceutical companies also exert an undue influence on the drugs that are prescribed, causing healthcare costs to increase even more. According to a recent study by the Campaign for Sustainable Rx Pricing, the 10 largest pharmaceutical companies in the U.S. spent nearly \$14 billion on promotional efforts targeted directly to consumers in 2023 alone.

The problem comes into even sharper focus when you look at the explosive growth in high-priced specialty medications. From 1990 to 2024, the FDA has gone from approving just 10 specialty drugs to nearly 400 that are available today. Another 100 of these costly biologic drugs are currently in development, with no end in sight. In fact, 80% of new drugs being approved by the FDA are specialty medications.

Are the largest PBMs doing anything to address these critical cost issues? Unfortunately, no. By driving drug volume and rebates, the legacy PBMs are focused on maximizing their profits instead of solving the real problems faced by benefits plan sponsors and patients.

This white paper discusses the rising cost of healthcare and the urgent need for PBM reform to improve health outcomes and make pharmacy care more affordable for Americans.

The pressure is mounting for industry-wide change that will help end the predatory practices of the traditional PBMs, but real change can only happen if demanded by customers and mandated at the federal level. Comprehensive federal PBM reform will effectively dismantle monopolistic practices and incentivize more transparent PBM models that prioritize patients over profits. It will do so by helping plan sponsors to control costs and help patients access more affordable medicines, no matter where they are located, while allowing independent pharmacists to thrive as essential community healthcare providers.

⁽¹⁾ [KFF.org](https://www.kff.org)

Battling the Cost Burden Crushing Patients and Employers

Rising healthcare costs are an ongoing and growing threat to the health of Americans, and skyrocketing prescription drug costs are at the forefront. Prescription drug spending has tripled over the last 25 years, increasing faster than any other area of healthcare spending and underscored by the widespread introduction and adoption of specialty medications. These innovative treatments, often hailed as ‘miracle’ medicines, typically drive more than half of pharmaceutical spending but are only being used by 5% of patients.²

Many PBM companies have strayed from their original mission of providing affordable healthcare, acting more like Wall Street trading firms that prioritize volume-driven rebates and financial incentives instead of reducing drug costs and improving patient health.^{3,4}

Legacy PBMs have transformed into monopolistic, vertically integrated empires that control all aspects of pharmacy care and healthcare in the U.S. – spanning from health insurance to pharmacy networks to medication management.

Rising drug costs have also created significant financial challenges for benefit plan sponsors and their members. Fortunately, there is a solution to combat these exorbitant healthcare costs, and it hinges on a group of underutilized healthcare

professionals: pharmacists. It’s time for the healthcare industry to put pharmacists back at the center of pharmacy care – where they belong. As the leading, pharmacist-led PBM company, EmpiRx Health has pioneered the shift to a patient-focused pharmacy care approach that puts pharmacists at the center of the PBM model. This pharmacist-centric PBM model prioritizes improving patients’ health outcomes by ensuring they are on the right medicines, while maximizing drug cost savings for employers that sponsor drug benefit plans.

Rising prescription drug costs pose a significant challenge to plan sponsors, with the average annual cost for a new drug reaching \$222k in 2022 (up from \$180k in 2021).⁵

EmpiRx Health’s unique approach to pharmacy care offers an example of what the post-reform PBM model should look like. However, real progress in stopping the anticompetitive, self-dealing business practices of the largest PBMs requires decisive federal action.



⁽²⁾ [National Center for Biotechnology Information](#)

^(3,4) [American Medical Association](#)

⁽⁵⁾ [EmpiRx Health](#)

The Far-Reaching Impacts of Independent Pharmacy Closures

Due to legacy PBM unfair practices, community pharmacies are being threatened like never before. Traditional PBMs have pushed community pharmacies to the brink by cutting reimbursements to unsustainable levels, imposing onerous DIR fees (Direct and Indirect Remuneration), and favoring their own vertically integrated pharmacy networks. According to the National Association of Chain Drug Stores, nearly 6,000 retail pharmacies have closed since 2018, with more closure notices coming every day.⁶

Without any checks or balances in place, these legacy PBMs can:

1. Push for more expensive specialty and branded medications in their formularies, resulting in higher-rebate rates that they profit from, despite the availability of bioequivalent generics and biosimilars that are clinically the same as brand-name products.
2. Steer patients to their own pharmacy networks by reimbursing independent community pharmacies at lower rates, forcing them to shut their doors.
3. Practice spread pricing, resulting in unfair profit margins that allow for the continuation of monopolistic power at the expense of employers, patients, and local community pharmacists.

When independent pharmacies cannot earn a reasonable profit, they are forced to close, which can have far-reaching impacts on patients. This is especially urgent for patients who live in rural communities and those with multiple or chronic health conditions that require more hands-on medication management and clinical services that can be provided by a trusted pharmacist.

A 2025 report from the Health Action Alliance (HAA), supported by National Association of Chain Drug Stores (NACDS), found that 96.5% of Americans live within 10 miles of a pharmacy. For the 78 million people who have limited access to primary care services, pharmacies provide existing infrastructure that can help address these healthcare gaps.⁷ For many, pharmacies serve as the go-to healthcare entity they interact with and seek advice from more frequently than any other provider. As such, when independent pharmacies shutter their doors, not only is a patient's ability to get their medication limited by new barriers, but they also lose valuable relationships with their pharmacists who serve as a trusted source of health information and clinical support services.

Across America, the growing number of pharmacy closures is resulting in pharmacy deserts. In fact, data from a 2024 study found that 15.8 million people in the United States – in both urban and rural locations – live in pharmacy deserts.⁸ Limited access to pharmacies can reduce the likelihood of medication adherence due to issues like long travel times and prescription delays and ultimately results in worse health outcomes for patients. According to HAA, pharmacy-based hypertension care alone could save the healthcare system trillions of dollars over three decades and add millions of years to patient lives.

EmpiRx Health recognizes the importance of independent pharmacies and is passionate about supporting pharmacies and pharmacists. This means prioritizing a more sustainable pharmacy care system where pharmacists are empowered to realize their full potential by practicing at the top of their license. Unfortunately, without government-mandated reform, it's unlikely that legacy PBMs will do the same, which will undoubtedly result in the continuing closures of trusted, affordable community pharmacies across the US.

⁶ [National Association of Chain Drug Stores](#)

⁷ [Health Action Alliance](#)

⁸ [National Center for Biotechnology Information](#)

Shifting Trends in Pharmacy Care: Reshaping the PBM Landscape

In recent years, there have been repeated attempts to pass legislation that would enact much-needed reforms for the PBM industry. This reform is urgently needed due to the largest PBM companies inflating prescription drug costs and forcing independent pharmacies out of business, negatively impacting patient health outcomes and resulting in pharmacy care deserts.

Despite bipartisan support, however, PBM reform legislation has continued to stall at the federal level. Earlier this year, PBM reform provisions were ultimately left out of the budget reconciliation bill that was signed into law by President Trump. Similar PBM reform measures were also originally part of the 2024 year-end spending bill and ultimately excluded when that bill was killed at the 11th hour last December.

PBM reform is no longer an “if” but a “when.”

According to a 2025 Pharmacy Benefit Manager Customer Satisfaction Report from the Pharmaceutical Strategies Group (PSG), overall satisfaction with PBMs and their business practices has dropped to a decade-long low. The PSG study found a notable decline in satisfaction over the last five years due to limited financial transparency, poor cost management, and inadequate communication/service.⁹ Unsurprisingly, this decline in satisfaction among plan sponsors has led to a significant drop in renewal rates, with renewal numbers plummeting to their lowest score on record.

When asked about leaving their PBM, survey respondents noted that their top reasons for switching service providers were:

- Better pricing
- Greater price transparency
- More flexibility in program management
- Better member support
- Better clinical programs
- More willingness to integrate with other vendors

⁽⁹⁾ [PSG Consults](#)

The data shows that customers are fed up with opaque pricing practices and lack of transparency surrounding rebates and prescription drug pricing. Now is the time for a new era of PBMs to dismantle long-standing obstacles to better patient care and lower drug costs. Equally important, PBMs need to step up to protect and empower independent community pharmacies, and usher in a transformative era for pharmacy care.

Guided by AI-powered population health analytics to assess patients' needs, optimize the medication mix, and coordinate the best patient care, EmpiRx Health puts pharmacists at the center of care to ensure every patient receives the right drug, at the right dosage, at the right cost. The results speak for themselves.

A pharmacy care transformation is on the horizon, and the PBM industry as we know it is finally on the brink of meaningful change. It is imperative to seize this opportunity now to leave behind outdated PBM practices and usher in a new age of pharmacy care. In this new age, PBMs will return to healthcare principles and priorities, renew their focus on patient-centered solutions and affordability, and strongly support local pharmacy partners.

The key metrics that define the impact of EmpiRx Health's PBM services:

15% Avg. Year 1 PMPM Reduction

100% Implementation satisfaction rate

99% Of contracts signed by go-live

99% Implementation quality

Big Pharma's Role in the Rising Cost of Care

Today in America, large pharmaceutical companies have disproportionate influence over drug prices with very limited oversight from the government and national regulators. Branded drug products are patented, produced, and sold exclusively by an individual company for the length of a patent, creating a temporary monopoly.¹⁰ Because of patent laws, pharmaceutical companies set the prices of brand-name products, citing various components of research, development and manufacturing to determine cost. As a result, some drugs carry hundred-thousand-dollar to multi-million-dollar price tags. Further, these companies can advertise their outrageously expensive drug products directly to consumers, without providing any education on alternative treatment options or disclosing cost.

The U.S. is one of only two countries in the world where direct-to-consumer (DTC) pharmaceutical advertising is legal. Pharmaceutical giants take advantage of this with flashy campaigns and celebrity endorsements to market medications online, in TV ads, on billboards, and much more. An analysis published in March showed that in 2023, 10 pharmaceutical companies spent a combined \$13.8 billion on advertising and promotion in the U.S.¹¹

Even more concerning, a study revealed that the majority of the top-selling prescription drugs sold, often promoted through DTC advertising, were rated as offering low added benefit.¹² Generic medicines are therapeutically equivalent to their brand-name counterparts and are offered at a significantly lower cost, yet profit-driven pharmaceutical companies care more about putting money into their own pockets than improving patient access and health outcomes.

Unfortunately, the largest PBM companies are only too happy to pocket a large share of the discounts and rebates offered by the pharmaceutical companies on their expensive branded and specialty medications. Consequently, the vicious cycle of exploding prescription drug costs continues unabated, with increasingly negative results for patients, benefits plan sponsors, and the healthcare system overall.

By enacting federal reform that focuses on addressing the sky-high cost of prescription drugs, the U.S. healthcare system can implement safeguards to prioritize affordability and transparency.

Comprehensive federal reform would realign incentives across the pharmaceutical supply chain to promote competition, lower drug costs, and restore trust that pricing negotiations will truly serve everyday Americans.



⁽¹⁰⁾ [DrugPatentWatch](#)

⁽¹¹⁾ [CSRxP](#)

⁽¹²⁾ [Johns Hopkins | Bloomberg School](#)

The Urgent Need for Federal Reform: Why State-Level PBM Reforms Aren't Enough

As federal PBM reform bills continue to stall in Congress, state lawmakers are creating, and increasingly enacting legislation to challenge the anticompetitive and unfair practices of the largest PBMs. Most recently, Alabama enacted a law requiring PBMs to reimburse independent pharmacies at no less than the Alabama Medicaid Agency rate for prescription drugs, aiming to help pharmacists get paid fair compensation for the medications they dispense.¹³

Though change is undeniably needed, these well-intentioned state reforms risk producing the very opposite of what they promise. The reality is that navigating a patchwork of PBM regulations across 50 states would be burdensome, expensive, and reduce competition in the industry. This would create new challenges for small and mid-sized PBMs who are trying to reform the broken pharmacy care system, while limiting care options for patients and benefits plan sponsors.

Legacy PBMs have been using a legal loophole to fight state reform through the Employee Retirement Income Security Act (ERISA), citing that states are barred from regulating ERISA-covered plans.¹⁴ With the Supreme Court's recent decision not to review the ERISA preemption case involving state PBM law, legacy PBMs have jumped at the chance to push back on state reforms across the country. Look no further than Arkansas, which earlier in 2025 was celebrated as a state that introduced a landmark law designed to combat the unfair practices of the big PBMs, including the vertical integration that enables PBMs to disadvantage independent pharmacies.¹⁵ Almost immediately, the large PBMs filed lawsuits claiming that Arkansas' legislation is unconstitutional because it targets ERISA-covered plans.¹⁶

Although this may seem like a heavy legal lift, it's a familiar playbook for the legacy PBMs that have the scale and resources to litigate in each state, allowing them to easily navigate fifty different sets of PBM reform laws. State-level PBM reform results in a regulatory landscape that effectively reinforces the monopolistic power of the largest PBMs by driving smaller, patient-focused pharmacy care competitors out of business. Yet, these alternative PBMs, like EmpiRx Health, are often the ones driving greater transparency, affordability, and innovation — delivering solutions that improve patient outcomes while lowering costs.

As legacy PBMs fight state reforms across the country, we risk giving these powerful companies even greater control over patient access to health care, which could drive up costs and push smaller PBMs out of the market. Without federal action, more than 180 million Americans who rely on commercial benefits plans for their healthcare needs will continue to face barriers to affordable, accessible care.

⁽¹³⁾ [Act #2025](#)
⁽¹⁴⁾ [Reinhart Law](#)

⁽¹⁵⁾ [The Wagner Law Group](#)
⁽¹⁶⁾ [Express Scripts v AR](#)

Reclaiming The PBM Industry's Founding Healthcare Mission

Even with overwhelming bipartisan support, competing priorities within the federal government often take precedence in larger budget conversations and reconciliation bills, overshadowing the importance of PBM reform and the urgent need for it. While high drug prices are a hot topic that resonates with many Americans, the role of the PBM in the healthcare system is lesser known to the general public, making it harder to sustain pressure on policymakers in Washington, DC to demand change. This is no accident but a deliberate strategy: the major PBMs, through trade groups like the Pharmaceutical Care Management Association, have poured millions of dollars into lobbying that stifles PBM reform.¹⁷

But change is finally on the horizon; even the largest PBMs can see that. With substantial campaigns to rebrand as a cost-saving solution, legacy PBMs are attempting to shift the narrative from their anti-patient, anti-healthcare business practices to a patient-centered resource that emphasizes transparency at the forefront of their business model. Given the track record of these legacy PBMs, many observers suspect that this initiative serves more as a strategic effort to redirect mounting scrutiny over transparency rather than a genuine commitment to reform.

As PBM reform moves from conversation to reality, it is important to highlight how a post-reform landscape would help the American people. Legislation targeting the price-gauging business practices of legacy PBMs, the threat they pose to community pharmacies, and a lack of transparency can help improve patient health outcomes and lower drug costs. The sooner such PBM reform legislation is adopted at the national level, the sooner we can begin healing a broken healthcare system.

Federal PBM reform will help ensure:

- More accessible, clinically-driven pharmacy care: Pharmacists belong at the center of care, serving as catalysts for a post-reform PBM model that ensures patients receive the most clinically appropriate and cost-effective treatment options based on their needs.
- Continued access to independent pharmacies: For independent pharmacies to succeed, they require fair reimbursement rates and removal of financial barriers that limit their ability to be profitable, such as retroactive DIR fees. These changes will help independent community pharmacies to thrive and ensure they can remain open and serve patients, especially in rural and underserved communities.
- Transparent drug pricing: By eliminating spread pricing and passing more rebates directly to benefits plan sponsors, reform will help lower drug costs and make medications more affordable, while helping patients understand medication costs.

Moving away from secretive practices toward patient-centered care, fairness, and transparency will realign the pharmacy benefit system to its core purpose: helping patients, aiding providers, and managing drug costs. Federal PBM reform will help build a healthcare system that improves patient access to care, reduces medication costs, and empowers community pharmacies and pharmacists. The future of the American healthcare system depends on it.

⁽¹⁷⁾ [National Community Pharmacists Association](#)

We look forward to hearing from you.

Americans deserve a pharmacy benefits system that works for them – not corporate interests.

Learn more about how EmpiRx Health is shaping the future of pharmacy care: www.empirxhealth.com.



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