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Upstart PBMs chip away at market leaders as ‘Big 3’ pivot

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EmpiRx Health, MedOne Pharmacy Benefit Solutions and LucyRx are among the pharmacy benefit managers that offer alternative models. (Modern Healthcare Illustration/Adobe Stock)

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Small and mid-sized pharmacy benefit managers sense an opportunity to grow market share headed into the new year.

CVS Health subsidiary CVS Caremark, UnitedHealth Group unit OptumRx and Cigna division Express Scripts have an iron grip on the pharmacy benefits landscape, but have been embattled by government agencies, lawmakers and customers.

Amid this, new PBMs and other companies have emerged promising alternatives to the standard pharmacy benefits model that's been criticized as opaque and ineffective.

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CVS Caremark, Optum Rx and Express Scripts have responded to political pressure and renewed competition by shaking up their PBM offerings, including by introducing "transparent" models similar to those their smaller rivals tout.

Meanwhile, those little competitors seem to be making headway in the marketplace.

They've accumulated a collective 10% of PBM market share from the dominant players heading into 2026, according to estimates from Kathryn Harris-Stephens, national pharmacy growth and innovation leader at benefits consulting company WTW. Next year could see some major employers quit the "big three" for alternatives, she said.

"I would've thought they'd top out at 15% of the market," said Robert Andrews, CEO of the Health Transformation Alliance, an employer group. "Now, I think it's 25% to 30%," said Andrews, whose coalition represents businesses such as American Express, the Coca-Cola Co. and Verizon.

Non-traditional PBMs are feeling bullish. "We think that going into 2026 it's going to almost be like a dam bursting — and we essentially doubled our business in the last couple of years, every year," said Patrick Di Chiro, chief marketing officer for the PBM EmpiRx Health.

Alternative PBMs finding successes

Employer interest in other options is prevalent, surveys suggest. One-third of employers are evaluating new and emerging PBMs, the benefits consulting company Mercer reported in June.

In recent months, drugmaker Eli Lilly, convenience store chain 7-Eleven, Purdue University, grocery chain Giant Eagle and agricultural trade association UnitedAg all switched to alternative PBMs.

Should the largest PBMs convince skeptical employers they are now similarly transparent, alternative PBMs will be tested as to whether they can still make compelling cases to employers.

Alternative PBMs argue the onus is on big players to prove they've truly changed and that, even if they have, the transition may not be easy.

"Our assumption is the ability of them to adapt their pricing model to be competitive will pose some challenges for them during that period," said Nate Harold, chief pharmacy officer of MedOne Pharmacy Benefit Solutions, which has 500 employer customers.

"How do they do that without cannibalizing their own profit margins to investors and also lower plan costs at the same time?" said Susan Thomas, chief commercial officer at LucyRx, a PBM with 1.5 million members. LucyRx has been asked to compete in half a dozen state government employee health plan bids, a process that often excludes smaller competitors, she said.

Employers, increasingly concerned over legal responsibility and negative headlines surrounding bigger PBMs, may decide they are no longer the safe bet they once seemed.

"They're going to have to come with some sort of stronger value proposition than they have been because the clients are getting more sophisticated, more educated," said Laura Topor, president of pharmacy benefits consulting company Granada Health. "I don't think they can change fast enough."

Outlook uncertain

But don't expect traditional PBMs to cede market share overnight. Only 20% of prescription claims in 2024 were managed outside the "big three" PBMs, according to Drug Channels Institute, a market intelligence company. CVS Caremark boasts a 97% retention rate for its clients over the last decade despite some high-profile splits.

Alternative PBMs' fate may also be oddly intertwined with the companies they oppose. Many smaller PBMs pay administrative fees to large group purchasing organizations, or rebate aggregators, owned by healthcare conglomerates including the big PBMs' parent companies, which enable them to get better deals.

"Right now, they exist because large PBMs, in some sense, allow them to exist," said Neeraj Sood, a senior scholar at the University of Southern California Schaeffer Center for Health Policy and Economics.

LucyRx attempts to sidestep this conflict by avoiding exclusive relationships with any single group purchasing organization and MedOne Pharmacy Benefit Solutions does not pay fees to GPOs.

Though it's possible those conglomerates could use that power to obstruct smaller competitors, they're more likely to continue accepting their money, Harris-Stephens said.

Squeezing rivals also would attract more negative attention, Chiro said.

Smaller PBMs maintain that what they lack in scale, they make up for in utilization management, medication optimization and competing on net cost.

"Ultimately, the question will be not just who's selling a drug at the best price, but who's selling the correct drug clinically at the best price," Andrews said. "Whomever positions itself as the entity to ask that question wins."

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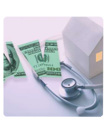

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