

The Advisor

Suggestions for employers battling rising pharmacy costs

RECOMMENDATIONS ON HOW TO COMBAT INCREASES

Prescription drugs account for the largest share of health care premium spending – over hospital costs, emergency room visits, or doctor’s office visits, according to a recent study from national health care association AHIP.

Drug spending in the U.S. continues to rise, driven by the introduction of new drugs, increased use, and higher pricing. Last year, pharmaceutical spending topped \$633 billion – a 9% increase – and is expected to grow again in 2023, a report from the American Journal of Health-System Pharmacy shows.

And as prescription spending has risen, so have costs for employer-sponsored health insurance.

If you’re an employer struggling to contain prescription costs, Schauer Group can help. Here are some recommendations from our employee benefits experts about how to combat increased pharmacy prices:

Promote preventative care

Effective preventative care can help stop or slow the onset of chronic disease, which accounts for the bulk of U.S. health care spending. Educate employees about the importance of receiving regular medical and dental check-ups, along with routine cancer screenings.

Encourage the use of more affordable options

Incentivize the use of generic drugs when possible by lowering the cost of co-pays for those medications and clearly highlighting the cost differences between brand name and generic drugs for plan participants.

There also are competitive alternatives available for the more expensive specialty drugs that are often used to treat conditions such as cancer, diabetes and autoimmune disorders. These alternative drugs, called biosimilars, closely match the brand-name drug and can offer similar benefits at a fraction of the cost. Educating employees about biosimilars – and finding plans that include these options on their drug formularies – can lead to pharmacy savings.



Struggling to contain prescription costs? You're not alone.

Consider a self-funded plan

For companies that have sufficient cash flow, a self-funded health plan is a viable option for reducing pharmacy spend, as it offers more control over costs.

In a self-funded plan, the company selects the providers and prescriptions the health plan will cover and then takes on the responsibility of paying those claims costs, versus paying premiums to an insurance company that handles administrative and claims expenses.

Primarily, the savings in a self-funded plan come from being able to create an individualized plan that meets the needs of your employees – rather than picking a one-size-fits-all plan from an insurance company – and then only paying for what your employees use. It also offers more flexibility in determining what prescription drugs are covered by your health plan.

Explore an individual plan

In cases where one individual or family on your health plan is a significant driver of the overall cost, you can explore whether putting that employee on an individual health plan that includes coverage for their prescriptions and preferred doctors might be a better option.

The employee benefits team at Schauer Group can help you design and implement a customized benefits strategy that meets the needs of your team and controls long-term costs. **For more information about partnering with us for benefits, please reach out to your Schauer Group representative, or contact us at 330-453-7721.**

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SOURCES

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American Journal of Health-System Pharmacy: National Trends in Prescription Drug Expenditures and Predictions for 2023 | [LINK](#)

Centers for Disease Control and Prevention: Health and Economic Costs of Chronic Diseases | [LINK](#)

International Foundation of Employee Benefit Plans: The Pros and Cons of Self-Funded Health Plans | [LINK](#)

SummaCare: Educating Your Employees About How Generic Medications Can Save Them Money | [LINK](#)

GoodRX: What are Biologics and Biosimilars? Definitions and Examples | [LINK](#)

