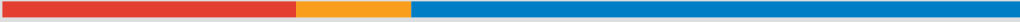


The background of the entire page is a dense, artistic illustration of various pills in different colors (red, blue, green, yellow, grey) and shapes (round, oval, capsule). Several stylized human figures are scattered throughout, interacting with these pills. One figure stands on a large red pill in the top left. Another figure is on the right, bending over a pill. In the center, a figure is on a large grey pill, reaching up. Below that, a figure is on a red pill, and another is on a blue pill. A figure is also on a large red pill in the bottom right. The overall theme is the human impact and management of pharmaceuticals.

Controlling Prescription Drug Spend: Strategic Analysis

Welcome to the 2025 NFP US Benefits Trend Report



As we begin 2025, most employers find themselves at the intersection of complex and rapidly evolving economic, legislative and political landscapes. This environment presents unique challenges for employers striving to offer competitive benefits while effectively managing their fiduciary responsibilities and healthcare expenditures.

The 2025 NFP US Benefits Trend Report focuses on practical and strategic solutions to your most pressing benefits challenges. In this year's annual report, we examine how organizations are:

- Strengthening oversight of pharmacy benefits and healthcare costs through innovative network strategies and enhanced fiduciary governance.
- Streamlining leave management to reduce administrative burden while ensuring compliance with related federal and state law.
- Addressing employee wellbeing needs strategically, particularly in mental health and caregiving support, by focusing resources where they'll have the greatest impact.
- Making smarter decisions about benefits investments through enhanced data analytics and program evaluation.

The challenges of 2025 will require employers to be proactive, adaptable and innovative in their approach to employee benefits and healthcare spending, while at the same time remaining vigilant in their fiduciary obligations. The trends and strategies outlined in this report are designed to help guide employers through those processes so that they can effectively manage costs while providing valuable benefits that support and engage their workforce.

As you review these insights, know that our team of consultative experts stands ready to help you navigate these challenges and implement solutions that work for your organization's specific needs and goals.

All the best,



EVP, Head of Health and Benefits
NFP, an Aon company



Controlling Prescription Drug Spend: Strategic Analysis

In today's workplace, controlling prescription drug spend has become a critical priority, with 70% of employers rating it as very or extremely important. Rising costs are driving organizations to seek more sophisticated approaches to pharmacy benefit management.



Fiduciary Risk Management in Pharmacy Benefits

Recent high-profile litigation involving major employers has heightened awareness of fiduciary obligations in pharmacy benefit management. Given the ever-shifting nature of pharmacy benefits administration as well as new insights into legal prudence, these responsibilities are becoming increasingly scrutinized.

The scope of fiduciary duty in pharmacy benefits extends far beyond basic cost management. Much like overseeing the medical plan, plan sponsors must demonstrate that their pharmacy benefit decisions prioritize participant interests while maintaining prudent oversight of pharmacy benefit manager (PBM) relationships. This includes ensuring transparency in drug pricing, evaluating formulary decisions and monitoring the implementation of clinical programs.

What Fundamental Strategies Help a Client Meet Their Fiduciary Responsibility?

We are seeing three fundamental strategies designed to help employers optimize their pharmacy benefits spend: pharmacy benefit arrangements, cost control products and programs, and comprehensive audit frameworks. Each approach offers distinct advantages and, when implemented cohesively, can create a robust foundation for managing prescription drug costs while maintaining high-quality patient care.

Figure 1:
The Importance of Controlling Rx Spending

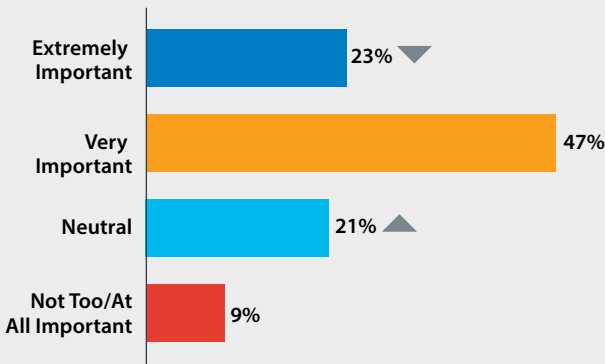


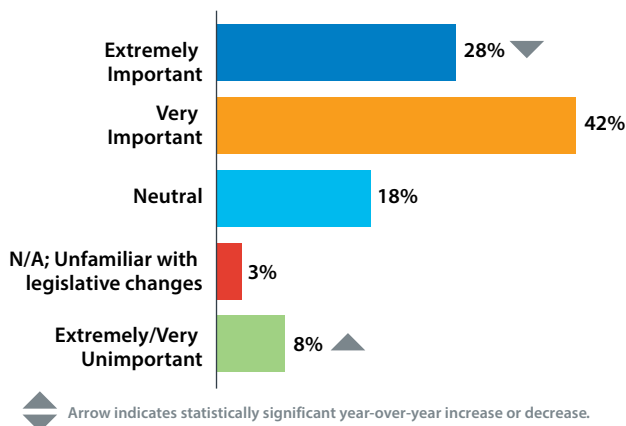
Figure 2:
Pharmacy Benefit Arrangement Used



▲ Arrow indicates statistically significant year-over-year increase or decrease.

Figure 3:

Importance of Establishing Continuous Improvement/Best Practice Policy for Medical/Rx Plan Selection in 2025*



Carve-Out Strategy

The pharmacy benefit management landscape reveals a growing shift toward independent benefit management, with 64% of employers now choosing either direct PBM carve-out (27%) or coalition participation (37%). This trend reflects increasing recognition of the value in stand-alone pharmacy strategies, while 36% maintain traditional carved-in relationships with their third-party administrator or carrier. The market's evolution demonstrates employers' growing preference for models that offer greater control and specialized pharmacy management, including a more robust set of tools allowed for both cost control products and programs and auditing.

Implementing a carve-out strategy allows employers to gain greater visibility and control over their prescription drug spend. Recent legislative policies and litigation have highlighted the critical need for transparency in drug pricing data, making the separation of pharmacy from medical carriers increasingly important. By peeling away pharmacy benefits from medical coverage, organizations have considerable opportunities to enhance their pharmacy benefits by better utilizing their data. While organizations are increasingly recognizing the value of analytics in identifying cost-saving opportunities, many have yet to fully embrace the potential positive effect a fully data-driven approach can have on their pharmacy spend.

Cost Control Products and Programs

Value-based pharmacy products represent a novel shift in how organizations are approaching pharmacy benefit management. These partnerships leverage innovative management tools to create more sustainable and effective models for controlling drug spend.

With 70% of employers prioritizing the establishment of best practice policies for Rx plan selection, these value-based partnerships are becoming increasingly common. By leveraging pharmacists' comprehensive consulting expertise in drug information, industry trends and emerging therapies, clients are using cost avoidance strategies to lower per capita care costs.

The core structure of these products and programs are based on performance-based contracting. This approach has gained significant traction, with 98.3% of NFP clients reporting that their Rx contract negotiations are focused on optimal pricing and contract terms. These contracts often incorporate quality metrics and financial risk-sharing frameworks, creating a balanced approach to cost management while mitigating the risk of stale or uncompetitive pricing that can lead to higher downstream premiums.

*Due to rounding conventions, data may not add to 100%. For more details about the data, see Page 46 or contact marketing@nfp.com.

Comprehensive Audit Framework

Contract compliance reviews serve as a foundation for maintaining accountability and transparency in pharmacy benefit management. These reviews not only ensure all stakeholders fulfill their contractual obligations but also provide organizations with valuable insights into their PBM relationships. Regular monitoring and evaluation of contract performance helps identify opportunities for optimization, supports more effective negotiations and ultimately contributes to better cost management outcomes.

Figure 4:
Satisfied with Client Pricing Negotiations

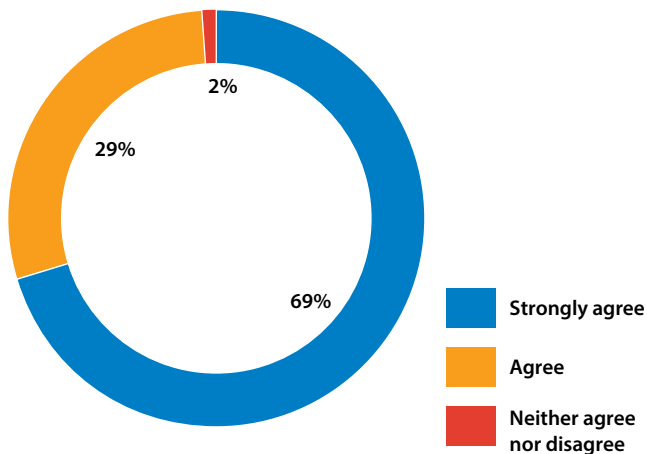
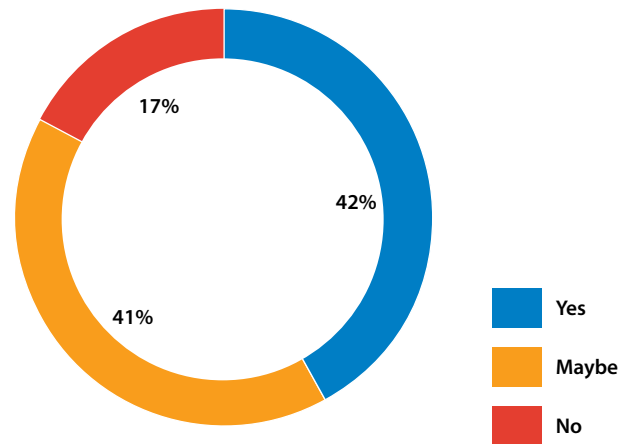


Figure 5:
Interest in Medical Drug Utilization Review



Client Medical Drug Utilization Services

The foundation of trusting but verifying is leading to robust oversight of PBMs. 83% of NFP clients respond that they would be interested in even greater options to audit their pharmacy benefit partners, and 83% of clients would want to have greater scrutiny of the prescriptions covered under their medical benefit.

Client Audit Services

A robust audit strategy begins with sophisticated data analytics capabilities. The importance of this capability is underscored by the fact that 94.9% of NFP clients report that their Rx teams help provide greater transparency and access to PBM data and reporting. This real-time data transparency enables organizations to quickly generate actionable insights, identify trends, implement cost mitigation strategies and address potential issues before they become significant problems.

Figure 6:
Interest in Audit Services

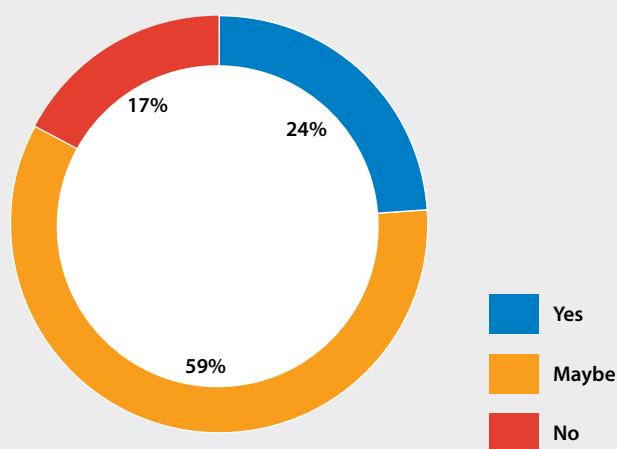
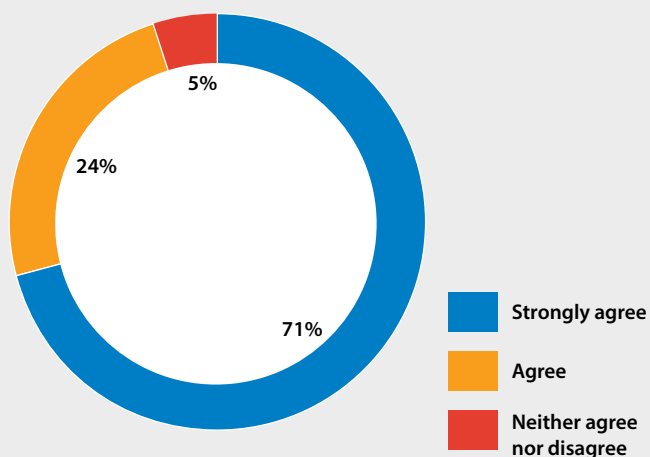


Figure 7:
Satisfied with Data Transparency and Reporting



Taking Action

To control drug spend, organizations must take a multifaceted approach to managing their pharmacy benefits. The data clearly shows that employers who implement comprehensive strategies – from carve-out arrangements to robust audit frameworks – are better positioned to control costs while maintaining high-quality benefits for their employees.

Key Action Items to Bridge the Gap



Leverage Expert Guidance

- Partner with pharmacy benefit consultants who can provide market insights and negotiating leverage
- Utilize specialized expertise for contract reviews and performance guarantees
- Access broader market data and benchmarking through consulting relationships
- Tap into consultant resources for ongoing program optimization and trend monitoring

Strengthen Cost Control Mechanisms

- Assess your current PBM arrangement against market alternatives
- Consider whether a carved-in, carved-out or coalition model better serves your organization's needs
- Evaluate performance-based contracting opportunities with your PBM
- Review formulary management strategies and specialty drug protocols
- Consider implementing targeted disease-state programs for high-cost conditions

Enhance Data Analytics Capabilities

- Establish regular reporting cycles for key performance metrics
- Implement drug utilization reviews to identify cost-saving opportunities
- Develop dashboard monitoring for prescription drug spending trends
- Create alerts for unusual spending patterns or utilization changes

Fortify Compliance and Risk Management

- Schedule regular contract compliance reviews
- Document formulary decision-making processes
- Update policies and procedures to reflect current regulatory requirements
- Maintain clear records of fiduciary oversight activities

Plan for Future Optimization

- Set specific cost management targets with measurable outcomes
- Develop a roadmap for implementing best practice policies
- Create a timeline for regular program evaluation and optimization
- Build in flexibility to adapt to emerging market trends and regulatory changes

By taking strategic, connected steps, organizations can work toward creating sustainable and effective pharmacy benefit programs. Success in managing prescription drug spend requires ongoing commitment, regular evaluation, and willingness to adapt as market conditions and regulatory requirements evolve. The investment in comprehensive pharmacy benefit management today will pay dividends in both cost control and improved health outcomes for years to come.





About the Data

The 2025 NFP US Benefits Trend Report draws on data from NFP's 2024 Benefits Trends Employer Survey and Benefits Trends Employee Survey, which were conducted in October 2024 in partnership with Empatix, a strategy, insights and activation firm.

The employer survey of 515 benefits decision-makers was conducted online. Respondents represented a mix of organizations across the US, ranging in size from <100 employees to 5,000+. To qualify for the survey, respondents had to have decision-making responsibility for their organization's benefits offerings.

The employee survey included a mix of 1,011 employees from various company sizes across the US. To qualify for the survey, respondents had to receive insurance through their employer and have primary or shared health insurance decision-making responsibility.

Supplementary data was included from NFP's 2024 Rx Satisfaction Survey. Any other sources are as referenced throughout. Due to rounding conventions, data may not add to 100%. For full information on the methodology for each NFP survey, contact marketing@nfp.com.

About NFP

NFP, an Aon company, is an organization of consultative advisors and problem solvers helping companies and individuals address their most significant risk, workforce, wealth management and retirement challenges. With colleagues across the US, Puerto Rico, Canada, UK and Ireland, we serve a diversity of clients, industries and communities.

Our global capabilities, specialized expertise and customized solutions span property and casualty insurance, benefits, wealth management and retirement plan advisory. Together, we put people first, prioritize partnerships and continuously advance a culture we're proud of.

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