

## 2025 MARKET TRENDS

# Pharmacy



## Overview

### Marketplace Competition

Influences of marketplace competition shape the status quo. The last few years have led to higher scrutiny for PBMs (pharmacy benefits managers) due to high drug prices, access and control, which is anticipated to continue in 2025. PBM competition fosters further transparency, differentiating themselves from the largest PBMs and encouraging innovation. Anti-PBM bills drive change within the pharmacy supply matrix, including pricing terms, exclusive networks and other revenue streams.

### Pipeline Growth Persists

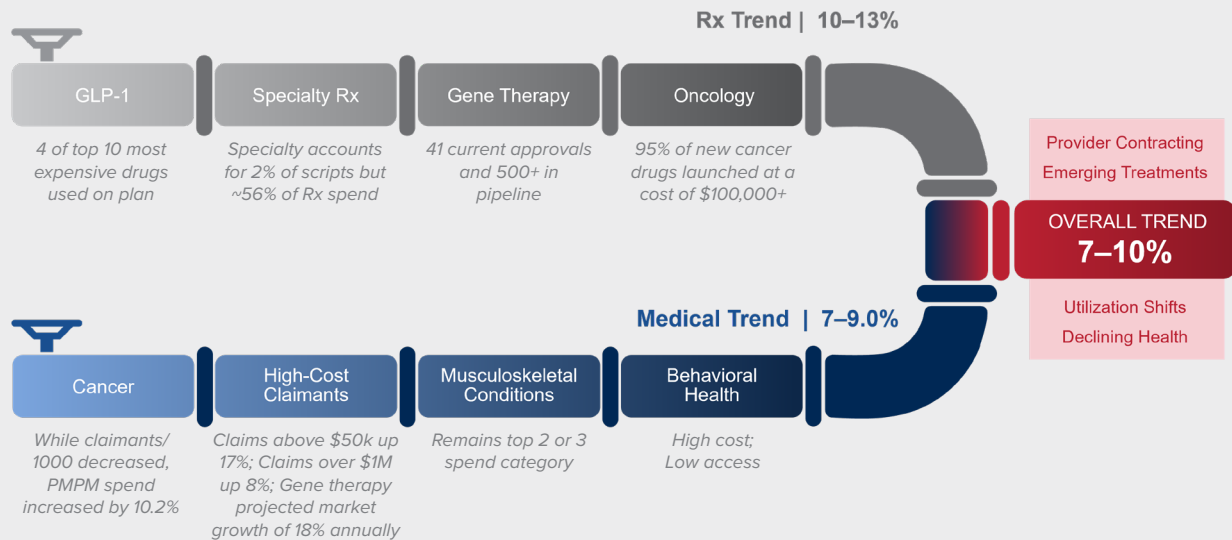
Pipeline growth persists for both specialty and non-specialty drug categories. The pipeline growth of transformative drugs will impact pharmacy costs while delivering potentially life-changing results. Biosimilars are expected to hit the market in 2025, including Stelara<sup>®</sup>, hoping to offset the rising inflation of currently branded specialty products. GLP-1 utilization continues to rise for diabetes and obesity. Gene therapies are moving beyond rare diseases to more common ailments afflicting the general population, such as macular eye degeneration and knee osteoarthritis.

### Artificial Intelligence in the Pharmacy Space

The use of artificial intelligence (AI) in the pharmacy space will be more pronounced in 2025, aimed at enhancing efficiencies, outcomes and cost mitigation. For pharmacy, this may lead to drug development shifting from repurposing drugs to developing new drugs, increasing accuracy and productivity in clinical trials and personalized healthcare. Additionally, the market may continue to explore uncoupling various PBM offering components by replacing them with vendors to accomplish the tasks; the 2025 implementation of the Blue Shield of California model is an example.

# What Employers Should Know

## Navigating Headwinds and Cost Pressures



Sources: *Approved Cellular and Gene Therapy Products | FDA*;  
*The price of drugs for chronic myeloid leukemia (CML) is a reflection of the unsustainable prices of cancer drugs: from the perspective of a large group of CML experts - PMC*

## Pharmacy Companies and PBMs Under Pressure in 2024

### Impact of CMS Negotiation

- Medicare negotiations yielding 39-79% discounts on first tranche of selected drugs
- 80 total drugs in pipeline for negotiation by 2030
- Potential downstream impacts to employers and payors

### States Driving Action

State activity increases in 2024:

- Targeting spread pricing
- Steering
- Home delivery requirements
- Pharmacy reimbursement
- White bagging

### Federal Actions

- Congressional bills focusing on reforming PBMs and price transparency
- FTC actively investigating the large PBMs and industry
- 340B program structure changes
- Legislators urge DOJ to investigate PBMs for potential role in opioid epidemic
- Bipartisan Senate group developing bill to force health insurance companies and PBMs to divest pharmacies
- With a new administration taking office, some of these initiatives may be put on hold

### Pharma Performance YTD



● NYSE Arca Pharmaceutical Index ● S&P 500 Index

Sources: *PBM reform: A closer look at state legislation this year*; *The state of PBM regulation in the states*  
 Chart Source: FactSet

## Weathering the Dynamics of the Rx Industry

	What Employers Should Know	What Employers Can Do
<b>Transformative Drugs</b>	<ul style="list-style-type: none"> <li>For therapies treating rare diseases, the 2023 median list price of \$300K is 35% higher than 2022</li> <li>High-cost drug prevalence increases both claims spend and reinsurance premiums</li> </ul>	<ul style="list-style-type: none"> <li>Reinsurance products targeting gene therapies with care coordination services</li> <li>Oncology programs that offer second opinion services and site of care management</li> </ul>
<b>PBM Vertical Integration into “Authorized Biosimilars”</b>	<ul style="list-style-type: none"> <li>Big three PBMs private label biosimilars, introducing conflicts of interest as PBMs make formulary decisions around their private labeled biosimilars</li> </ul>	<ul style="list-style-type: none"> <li>Ensure pricing guarantees and inflation protection applies to private label biosimilars</li> <li>Conduct audits to hold PBMs accountable for quoted savings</li> </ul>
<b>Employers’ Role with Drug Purchasing and Coverage</b>	<ul style="list-style-type: none"> <li>Fiduciary role in healthcare purchasing under fire</li> <li>Employers required to ramp up oversight of contracts, purchasing strategies and PBM measurement</li> </ul>	<ul style="list-style-type: none"> <li>Regular due diligence through annual market checks, regular RFPs and audits</li> </ul>
<b>Marketplace Disruptors Drive Fragmentation</b>	<ul style="list-style-type: none"> <li>Amazon, Mark Cuban, LillyDirect, etc. challenging the PBM delivery system                             <ul style="list-style-type: none"> <li>» Online delivery system</li> <li>» Specialty Rx</li> </ul> </li> <li>» Consumerism</li> <li>» Price transparency</li> </ul>	<ul style="list-style-type: none"> <li>Push PBMs to allow third-party options</li> <li>Consider carve-out of certain drug classes to drive consumerism (infertility, weight loss, etc.)</li> </ul>
<b>Evolution of Pricing Structures</b>	<ul style="list-style-type: none"> <li>Legislation, litigation and disruptor PBMs pushing for pricing transparency</li> <li>Sponsors call for PBMs to take on risk to manage overall costs</li> </ul>	<ul style="list-style-type: none"> <li>Understand that there is no one-size-fits-all answer</li> <li>Evaluate pricing for competitiveness, philosophical alignment and regulatory compliance</li> </ul>
<b>The Growing Role of AI</b>	<p>AI Applications in the Pharmacy space will include:</p> <ul style="list-style-type: none"> <li><b>PBMs:</b> data mining, targeting patients based on expected behaviors or adverse outcomes</li> <li><b>Pharmacies:</b> inventory, predict demand, identify drug interactions, optimize dosing, etc.</li> <li><b>Manufacturers:</b> R&amp;D fast-tracks clinical trials and drug approvals, improves supply chain efficiency and safety</li> </ul>	<ul style="list-style-type: none"> <li>Integration of medical and pharmacy data may automate coverage determinations and influence engagement opportunities</li> </ul>

Sources:

[Median Drug Prices For Rare Diseases Hit \\$300K In 2023, Report Highlights Lack of Clear Rationale Behind Escalating Drug Prices — TradingView News](#)

[What will be the key trends in AI innovation in the Pharmaceutical Industry in 2025?](#)

[How AI and Data Analytics Are Transforming the PBM Industry: A Look at Predictive Modeling, Risk Stratification, and Personalized Care](#)



## How Brown & Brown Can Help

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