

WHITE PAPER

What's Next After PBM Reform?

Charting a More Patient-Focused and
Sustainable Path for Pharmacy Benefits
Management in a Post-PBM Reform World



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Executive Summary

In 2024, the U.S. Congress set the stage for a monumental shift within the pharmacy care industry by introducing nine federal legislative initiatives targeting Pharmacy Benefit Management (PBM) companies¹. Although none were enacted into law last year, the bipartisan effort to reform the PBM industry continues into 2025. These initiatives promise to fundamentally alter the business models and operational dynamics of traditional PBMs.

Against this backdrop of anticipated PBM reform, EmpiRx Health has pioneered a paradigm shift away from the volume-driven business model of the big, traditional PBMs towards a pharmacist-led solution that prioritizes patient health over self-dealing profit generation. EmpiRx Health's clinically-driven pharmacy care model is virtually unique in the PBM world. By centering clinical pharmacists in the PBM service ecosystem and prioritizing clinical outcomes over drug sales and rebate incentives, the EmpiRx Health approach is not just compliant with the proposed PBM reform legislation, it sets a new standard for what pharmacy benefit management can and should be.

The EmpiRx Health operational framework is both clinically-driven and pharmacist-led, designed to fit together with the evolving expectations of healthcare delivery. This technology-enabled pharmacy care model provides a template for the PBM industry as it prepares for a radically changed, post-reform future. Most importantly, the EmpiRx Health PBM strategy is built to reduce the skyrocketing costs of prescription drugs while substantially improving patient health outcomes.

This white paper outlines EmpiRx Health's proven strategies, its alignment with proposed PBM reforms, and the company's vision for a sustainable and patient-focused pharmacy care future.



[1]: Mintz.com
<https://www.mintz.com/insights-center>

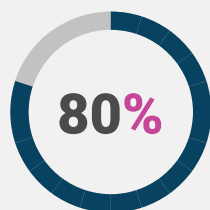
The Crisis of Skyrocketing Drug Costs

One of the most serious threats to the nation's whole healthcare system is the skyrocketing cost of prescription drugs. This problem is greatly exacerbated by the growth of hyper-expensive specialty medications, which now represent more than 50% of prescription drug spending, though they are used by less than 5% of patients².

This presents enormous challenges for the healthcare system and benefit plan sponsors who must shoulder these exploding drug expenses.



Number of FDA-approved specialty medications, with another 100 costly biologic drugs in the pipeline



Percentage of new drugs approved by the FDA that are specialty medications



Average cost of a new drug coming to market today

While PBMs were formed more than 50 years ago to help organizations effectively manage these growing costs, today's PBM companies do not act like the healthcare organizations they were intended to be. Instead, they function more like financial trading firms that prioritize their arbitrage-driven profits over patient health. That is the exact opposite of what is required of PBMs in the coming post-reform era.

The Big 3 PBM companies, which control more than 80% of the national pharmacy care market³, embrace a volume-driven, rebate-centric business model that has made the problem of rising drug costs even worse. Instead of embracing the founding

healthcare mission of PBMs, they put profits over patients while doing way too little to mitigate the explosive growth in prescription drug spending.

Over time, these legacy PBMs have morphed into massive, vertically integrated conglomerates that exercise too much control over every aspect of pharmacy benefits care, and healthcare overall. The Big 3 PBMs now own and control every aspect of the pharmacy care process, from health insurance, to pharmacy benefits management and, most problematically, pharmacy networks (e.g., the CVS Caremark PBM is part of a conglomerate that includes Aetna Insurance and the nationwide CVS


[2]: National Library of Medicine
<https://pmc.ncbi.nlm.nih.gov/articles>

[3]: The American Medical Association (AMA)
<https://www.ama-assn.org/press-center/press-releases>

pharmacy chain). The business structures and practices of these legacy PBMs represent inherent conflicts of interest, eventually leading to less competition and choice, and higher costs for patients and the health/pharmacy benefits plans that they rely on.

The anti-competitive business practices of the Big 3 PBMs also pose an existential threat to community pharmacies, which provide trusted, accessible, and affordable healthcare to patients across our nation. Using practices such as cutting reimbursements to pharmacies, imposing onerous DIR fees (Direct and Indirect Remuneration, including claw-backs of pharmacy drug reimbursements), and favoring their own vertically-integrated pharmacy networks (e.g., CVS Caremark and the CVS pharmacy chain), the Big 3 PBMs have been forcing community pharmacies out of business at an alarming rate. The result is an increasingly dangerous decline of patient accessibility to the expanding array of healthcare services provided by local pharmacies and trusted by patients and their families. This problem is especially urgent in rural areas of the country, which are now experiencing “pharmacy deserts.”

Change is needed now in the PBM industry, and not just because Congress is planning to enact new laws that will curtail many of the discredited practices of the traditional PBMs. The fact is that PBMs need to embrace a sustainable, patient-centric, and clinically-driven pharmacy care model that prioritizes improving patient health outcomes and lowering prescription drug costs. The old volume and rebate-driven, “black box” model of the legacy PBM companies is not sustainable nor appropriate for the post-reform future of pharmacy care.



“The market is plagued by PBM models that drive drug volume, not healthcare. PBMs continue to profit, but people aren’t healthier.”

— Danny Sanchez, Chief Executive Officer, EmpiRx Health

Change is On the Horizon

In the face of systemic failures with the traditional PBM operating model, both federal and state legislators have taken bold steps towards comprehensive reform. The year 2025 marks a pivotal moment for the industry, with proposed legislation targeting the root causes of opacity, misaligned incentives, and anti-competitiveness that have plagued PBMs. The essence of these reforms is to dismantle practices that have long compromised the integrity of pharmacy benefit management. Notably, these reforms aim to abolish practices such as “spread pricing,” ensuring that PBMs can no longer exploit the gap between what they charge payers and what they reimburse pharmacies. Furthermore, “gag clauses” that restrict pharmacists from advising patients on more affordable medication options are squarely in the crosshairs of proposed changes.

Major reform legislation has bipartisan support to sever the tie between PBM compensation and drug prices, a critical move to discourage the preference for costlier branded and specialty drugs. The problematic practice of “patient steering,” where PBMs restrict patients to using affiliated pharmacies, is also being targeted by policymakers to enhance patient freedom in pharmacy choice. Legislative proposals are also focused on ensuring transparent and equitable contract terms between PBMs and pharmacies, alongside addressing PBM impacts on the 340B drug pricing program and specialty drug contracting. Individual

state initiatives mirror these federal efforts, signaling a united front against the traditional, self-dealing PBM practices.

The state PBM reform initiatives are a particular challenge to PBMs, especially the smaller, mid-market companies. Those smaller PBMs lack the vast resources of the Big 3 companies to be able to manage and comply with the possibility of 50 sets of new PBM rules and regulations. This is yet another example of the anti-competitiveness of an industry which now has just three companies controlling more than 80% of the nation’s PBM market.

The magnitude of these challenges underscores a profound acknowledgment that the traditional PBM model is **fundamentally flawed**—a realization driving policymakers in the U.S. Congress and regulators to enact aggressive reforms.

Such reforms are aimed at ushering in a new era of transparency and accountability, squarely addressing the legacy PBM issues that have resulted in poor plan performance and suboptimal patient health outcomes. Paraphrasing the classic R&B song, “A Change is Gonna Come,” and never was that sentiment truer and more relevant than in today’s PBM industry.

EmpiRx Health is at the forefront of that PBM change and transformation. The company has been championing legislative reforms that promise a significantly more transparent, fair, and patient-centric pharmacy benefit landscape. **EmpiRx Health is fully aligned with the key aims of the major PBM reform measures, including:**

VERTICAL INTEGRATION:

1

The Patients Before Monopolies (PBM) Act⁴ proposes stopping PBMs and their owners (including insurance companies) from owning pharmacies. This legislation is designed to dismantle monopolistic structures that breed conflicts of interest and unfair competition that is forcing community pharmacies out of business at an alarming rate. The PBM Act was introduced in December 2024 by Senators Elizabeth Warren (D-Mass) and Josh Hawley (R-MO). In April 2025, the state of Arkansas adopted a new law prohibiting PBMs from owning pharmacies. Attorneys general in 39 other states have supported similar legislation.

REBATE PASS-THROUGH REFORM:

2

Implementing transparency laws and stopping rebate retention is another crucial reform. The goal is to ensure that 100% of the earned rebates are pass through to the plan sponsors, which is not currently the case. This reform aims to eliminate rebate manipulation for profit, and the misalignment of incentives for PBMs to recommend alternative and clinically-appropriate medication therapies that keep patients healthy while reducing costs.

SPREAD PRICING REFORM:

3

This critically important reform measure would end spread pricing, targeting the unethical profit margins that PBMs extract by marking up drug costs at the expense of plan sponsors and community pharmacies (those not owned by the Big 3 PBMs).

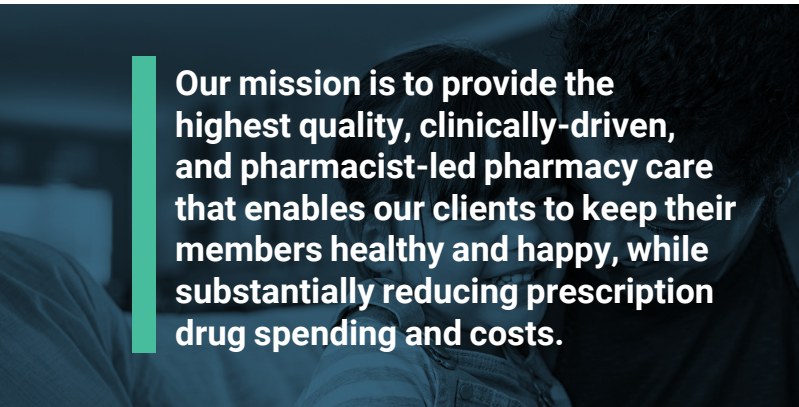
These anticipated legislative reform efforts envision a totally new paradigm for the pharmacy benefits industry. The PBM sector is now facing a radically altered business and regulatory landscape that promises greater transparency but also raises questions about the adaptability and sustainability of the traditional PBM business model. Given these significant changes, employers and other healthcare benefits payers will look to partner with PBMs who can effectively operate amidst these reforms while continuing to deliver the value, quality service, and results that benefits plan sponsors and their members need and deserve.

EmpiRx Health has not only embraced this journey to PBM change and transformation, but has helped to lead it. Since its founding in 2014, EmpiRx Health has pioneered and proven a transformative, clinically-driven pharmacy care operating strategy that is truly unique in that it puts the pharmacist at the center of the PBM service model. In doing so, EmpiRx Health has illuminated a powerful, patient-centered future for the PBM industry.

[4]: Congress.gov
<https://www.congress.gov>

EmpiRx Health's Mission and Approach

EmpiRx Health's mission statement shines a light on a more sustainable, post-reform future path for the PBM industry:



Our mission is to provide the highest quality, clinically-driven, and pharmacist-led pharmacy care that enables our clients to keep their members healthy and happy, while substantially reducing prescription drug spending and costs.

From its founding more than a decade ago, EmpiRx Health has advanced that mission by always putting its customers and members first, enabling them to take control of their pharmacy benefits, healthcare outcomes, and financial results.

Centered the very core of EmpiRx Health's transformative pharmacy care mission is its unique operating approach that puts pharmacists at the center of the PBM service model. This helps to ensure that pharmacy benefits decisions are always based on clinical appropriateness and what's best for patient health, not the dictates of benefit plan designs and formularies.

Simply put, the EmpiRx Health pharmacist-led pharmacy model is all about ensuring that patients receive the right drugs, at the right time, at the right cost. **"The time has clearly come for pharmacists to play a central role in the PBM industry,"** said Danny Sanchez, CEO of EmpiRx Health.

Nation's Pharmacy and Grocery Retailers Also Looking for PBM Reform

America's pharmacy and grocery retailers are not immune to the discredited business practices of the Big 3 PBM companies. There is broad consensus that community pharmacies are the backbone of the nation's healthcare system. However, an alarming number of local pharmacies are being forced out of business because of the anti-competitive business practices of the legacy PBMs. According to the National Association of Chain Drug Stores (NACDS), more than 5,800 pharmacies have closed⁵ since 2018 – leaving communities across 800+ zip codes without access to the trusted, affordable healthcare services that are the hallmarks of the local pharmacy.

For the past year EmpiRx Health has been having very productive discussions with retail pharmacy and grocery leaders about a more pharmacy-friendly friendly PBM approach. As a result, EmpiRx Health is joining with these industry leaders to launch **allyRx**, the first-ever national pharmacy care network built specifically for pharmacy and grocery retailers. **allyRx** provides pharmacist-led PBM services and solutions to help retailers measurably improve their employees' health outcomes while reducing prescription drug costs.

The new **allyRx** network will leverage EmpiRx Health's unique pharmacist-centric service model and AI-powered technology platform to bring a first-class, pharmacy care experience to the employees, patients, and local partners of the nation's leading pharmacy and grocery chains.

"allyRx was designed in close collaboration with retail pharmacy leaders and purpose-built to enable their pharmacies, employees, and customers to experience the best pharmacy care while lowering the costs of prescription drugs," said Danny Sanchez, Chief Executive Officer of EmpiRx Health. "Powered by EmpiRx Health's pharmacist-led model, **allyRx** will help to return pharmacy benefits management to its original healthcare mission, while strongly supporting pharmacies, not threatening their very existence."

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[5]: NACDS
<https://nacds.org/news>

Transforming the PBM Model by Putting the Pharmacist Back in Pharmacy Care

EmpiRx Health is spearheading a revolutionary shift in the PBM industry. The company was founded on a distinct, pharmacist-led operating model that emphasizes improving patient health outcomes and reducing costs through clinically appropriate medication therapy recommendations.

The Big 3 PBM players have traditionally emphasized drug sales volume and rebates to fuel their business models. EmpiRx Health has flipped the script of this outdated operating strategy by putting the pharmacist at the center of the decision-making process where they are empowered to actively engage with prescribing physicians to ensure that the patient receives the right medication therapy at the right costs.

EmpiRx Health's **Clinically**™ pharmacy technology platform is the engine that drives the company's pharmacist-led PBM model. The AI-powered **Clinically** platform powers these essential pharmacy care functions that produce better patient health outcomes and lower drug costs for plan sponsors:

Claims Adjudication

The **Clinically** platform provides real-time pharmacy claims adjudication, featuring network and plan management support, and customized workflows for pharmacists.

End-to-End Clinical Review Process Software

This advanced software enables EmpiRx Health pharmacists to conduct their clinical reviews, leading to clinically-appropriate drug therapy decisions that optimize patient health outcomes while lowering costs.

Population Health Engine

Based on the Johns Hopkins ACG model, **Clinically**'s proprietary population health engine provides risk stratification and predictive modeling that enable pharmacists to make the right clinical decisions, especially for patients who require a higher level of complex care.

A Day in the Life of a Pharmacist-Led PBM

EmpiRx Health's clinical pharmacists begin by reviewing patient histories using the **Clinically**™ technology platform. By doing this, the pharmacists identify patients who could benefit most from a higher level of care as well as potential conflicts between a patient's prescribed medications and their existing health conditions. The pharmacists then collaborate closely with prescribing physicians to recommend clinically appropriate medication therapies that optimize patient health while reducing costs for the plan sponsor.

EmpiRx Health Chief Pharmacy Officer, Polina Kogan, described a typical scenario:

"Leveraging our Clinically platform, one of our clinical pharmacists found that a patient's medication for plaque psoriasis was exacerbating their inflammatory bowel disease. The pharmacist discussed the issue with the patient's doctor and agreed to an alternative treatment that was not only safer and more efficacious for the patient but also more cost-effective – it saved the plan sponsor over \$21,000 annually for just this one patient."

This holistic and proactive pharmacy care approach sets EmpiRx Health apart in an industry increasingly criticized for its reactive methodologies that are raising costs without improving patient outcomes.

Future-Ready PBM: The Path Forward



The impending PBM reform represents a pivotal turning point for the pharmacy care industry. With the expectation of major new legislation and increased regulatory oversight, the traditional PBM models based on drug volumes and rebate maximization are poised for a significant, and long overdue, overhaul. This changing PBM regulatory landscape underscores the urgency for a shift back to a pharmacy care operating approach that emphasizes pharmacist-led medication management, a singular focus on improving patient health outcomes, and bending – even flattening – the prescription drug cost and spending curve.

EmpiRx Health has proven that this transformative PBM approach not only works but is a strong template for the post-PBM reform world that is now finally coming into view. By empowering pharmacists to make evidence-based, clinically-appropriate medication therapy decisions, EmpiRx Health has enabled a more personalized, patient-centric pharmacy benefits care model that addresses the real needs of patients and plan sponsors.

The success of the company's unique model is rooted in its ability to improve patient health and well-being while offering plan sponsors a level of quality, transparency and value-based results that stand out in the PBM industry. EmpiRx Health's clinically-driven strategy is clearly aligned with the anticipated direction of PBM reform. It also sets a new standard for how pharmacy benefits management can and should operate, now and in the future. Ultimately, it is a PBM approach that rejects the shortsighted and misaligned gains of the old rebate-driven strategies in favor of long-term patient well-being and financial health for all stakeholders.

Looking forward, EmpiRx Health is stepping up to help lead the PBM industry through and beyond this emerging era of necessary and fundamental reform. The company is offering a proven roadmap for a future where the pharmacy care industry can thrive by focusing on what matters most: patient health and well-being and lowering prescription drug costs.

As the market and regulatory landscape rapidly evolves, EmpiRx Health remains committed to working collaboratively with government entities, plan sponsors, benefits plan consultants, and patients to chart a more sustainable and healthcare-centric path for pharmacy care in the post-reform era.

“We attack the drug cost problem at the pen, when the physician writes the prescription, which makes us unique in the pharmacy care industry.”

— Danny Sanchez,
Chief Executive Officer,
EmpiRx Health



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