PRASIDIO INSURANCE

BENEFITS BRIEFING

# Big Insurers Are Buying PBMs — Is This Good or Bad for Employers?

## Dear Reader,

In recent years, we've seen a wave of **large health insurance companies acquiring pharmacy benefit managers (PBMs)**—the third-party administrators responsible for managing prescription drug benefits. This vertical integration is reshaping the healthcare landscape, but the big question for employers is:

**Does this consolidation help—or hurt—your ability to manage healthcare costs and provide value to employees?**

Let's break it down.

## What's Happening?

Major health insurers like **UnitedHealth (OptumRx), Cigna (Express Scripts), and Aetna (CVS Caremark)** now own or are closely affiliated with PBMs. These mergers aim to create integrated healthcare ecosystems where insurers control both the medical and pharmacy sides of the benefit equation.

## Potential Benefits for Employers

**1. Streamlined Administration**
Bundling medical and pharmacy benefits under one roof can simplify plan design, billing, and reporting—saving time and administrative headaches.

**2. Improved Data Integration**
With both sides of the benefit coordinated, insurers can better track and manage total healthcare spend—using pharmacy data to predict and prevent costly medical events.

**3. Negotiating Power & Scale**
Big PBMs can negotiate deeper discounts and rebates from drug manufacturers, “theoretically” passing savings on to employers and employees.

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## Potential Drawbacks

**1. Lack of Transparency**
Insurer-owned PBMs often **retain manufacturer rebates** and other spread pricing profits, which may not be fully disclosed to employers. This can obscure the true cost of prescriptions.

**2. Reduced Flexibility**
Bundled arrangements can limit your ability to customize pharmacy benefits, choose alternative vendors, or carve out services for better pricing or support. Many times, it is found that carving out PBM services from a large insurer owned company saves employers 20%+ of total pharmacy spend.

**3. Conflicted Incentives**
When the same company manages both claims and pharmacy costs, employers may struggle to determine whether cost-containment decisions truly benefit the plan—or just the insurer’s bottom line.

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## What Employers Should Watch For

- **Rebate Pass-Through Terms** – Make sure you understand whether 100% of manufacturer rebates are returned to you or kept by the PBM.
- **Spread Pricing Practices** – Are you paying more than what the PBM reimburses the pharmacy? That difference adds up.

- **Formulary Management** – Who controls which drugs are covered and why? Are decisions made based on efficacy, or rebate size?
- **Contract Audit Rights** – Can you audit your PBM or insurer's performance and pricing practices?

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## Bottom Line

**Insurer-PBM consolidation isn't inherently good or bad**—it depends on how transparent the arrangement is and how well it aligns with your business's healthcare strategy.

For some employers, integration brings efficiencies and simplicity. For others, it introduces opacity and conflicts of interest that require careful oversight.

**The key is negotiating strong terms, demanding data transparency, and routinely benchmarking your plan performance.**

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**Want help analyzing your current PBM arrangement or exploring carve-out options?** Let's talk.

https://prasidioins.com/contact/

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To your health,


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