Trends to watch: GLP-1 drugs, biosimilars, PBM lawsuit

Prescription drugs continue to be a primary driver of employer-sponsored health care costs. Last year, per-employee costs jumped 5.2 percent, and prescriptions remain the fastest-growing plan expense, according to the 2023 National Survey of Employer-Sponsored Health Plans.

This renewal and open enrollment season, here are some important drug-pricing trends to watch:

GLP-1 drugs

As GLP-1 drugs, such as Ozempic or Wegovy, become more popular for weight loss, employers might feel increasing pressure to cover use of the drugs, which can cost upwards of $1,000 a month.

GLP-1 drugs work by slowing stomach emptying, increasing feelings of fullness and triggering the release of insulin. While originally intended as a diabetes medication, they also have proven to be effective for weight loss, with patients losing on average 10 to 20 percent of their body weight.

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According to a recent pulse survey from the International Foundation of Employee Benefit Plans:

- 76 percent of employers already cover GLP-1 drugs for diabetes
- 27 percent cover the drugs for weight loss
- 13 percent are considering adding coverage for weight loss
- 63 percent said the risk of chronic diseases and other costs associated with obesity were a top factor in their GLP-1 coverage decision

For employers considering adding the coverage, there are some steps you can take to manage who is able to receive coverage – and to help contain costs, according to information from Employers Health:

- For diabetes, best practices include first confirming there is a diabetes diagnosis and a prior attempt to use a different drug.
- For weight loss, common strategies are to set coverage standards based on BMI levels, other medical conditions or diseases, and lifestyle modifications.
- Some plans also include a stipulation that coverage only is continued if a certain percentage of weight is lost.

Biosimilars

One bright spot in drug pricing is the increased availability of biosimilars – drugs that are highly similar to biologic medications.

Biologics are specialty drugs made of living cells, proteins or tissues that are used to treat conditions including diabetes, arthritis, some cancers, and inflammatory diseases. They're the fastest-growing medication class, and as such, play a major role in rising health care costs, according to the U.S. Food and Drug Administration. But because biologics are complicated to produce, alternative options to the original medications historically have been limited.

Today, however, there are more than 50 FDA-approved biosimilars available as alternatives to original biologic drugs. A biosimilar is a medication that is made from the same sources and has the same risks and benefits, but it often costs less than the original. On average, the sale price of a biosimilar is half the cost of its brand-name counterpart, according to data from the Association for Accessible Medicines.

As biosimilars become more widely available, the marketplace is changing: In January, pharmacy benefit manager CVS Caremark said it would remove a popular brand-name biologic drug from some of its formularies and cover the available biosimilars instead, in an effort to speed up adoption of biosimilars and save clients money.

For employers, it's important to talk with your benefits advisor about whether incorporating biosimilars into your health plan would be right for your organization.

Johnson & Johnson PBM lawsuit

Johnson & Johnson is facing a class-action lawsuit that could impact drug pricing for group health plan participants.

The lawsuit alleges Johnson & Johnson failed to negotiate with its pharmacy benefit manager and instead paid high prices for specialty generic drugs that are available at much lower prices – in some cases, paying as much as 500 percent above what it cost the pharmacy to acquire the drug. As a result, Johnson & Johnson's plan participants were forced to pay higher premiums and out-of-pocket costs, according to the complaint.

The lawsuit centers on an employer's fiduciary duty under the Employee Retirement Income Security Act, which requires that health plan administrators compare service providers, attempt to limit expenses, and monitor plan costs. Instead, the lawsuit alleges, the corporation didn't hold an open RFP process to select its pharmacy benefit manager, didn't use its bargaining power to bring plan costs down, and, ultimately, didn't act in the best interests of plan participants.

If the plaintiffs are successful, it's a sign the courts are prepared to hold employers accountable if they neglect to meet their fiduciary duties and monitor health plan expenses – all of which could lead to lower employee health care costs, according to analysis from the O'Neill Institute at Georgetown University.

The employee benefits team at Schauer Group can help your organization design a benefits plan that both meets the needs of your team and that controls costs over time. If you'd like to discuss further, please reach out to your Schauer Group representative.

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