Midwest Business Group on Health

Catalysts for Action in Health Care & Benefits

What PBM Price Transparency Really Means

True price transparency is broader than rebate pass-through. It requires claim-level visibility into ingredient cost, dispensing fees, benchmark methodology, channel economics (i.e., how money moves and margins are created), and whether the PBM is using spread pricing. The newly created category of specialty generics reinforces why employers should also request net-cost reporting and channel specific pricing transparency.

PBMs that market themselves as “transparent” or “alternative” are typically designed to meet these requirements. They are employer-aligned and may include a fiduciary-oriented alternative (e.g. aligning compensation and decisions with the plan sponsor’s interests, emphasizing transparency, lower net drug costs, and disclosure of financial incentives) to traditional vertically integrated PBM models owned by large insurers or healthcare conglomerates. These models are designed to reduce financial conflicts of interest and provide employers with greater visibility into how prescription drug costs, rebates, fees, and pharmacy reimbursements are managed.

Forward-Thinking Employers Turn to Alternative PBMs to Reinvent Pharmacy Benefits

A growing number of employers are proving that an alternative pharmacy benefit manager (PBM) can fundamentally reshape how organizations manage drug costs, specialty spend, and the member experience.

One midwestern employer recently demonstrated what happens when innovation and transparency become the foundation of a long-term PBM partnership. Over more than a decade, the company has pushed its PBM to deliver more than administration. It has demanded strategic innovation, clear data, and solutions aligned with core values such as ease of use, accessibility, affordability, and member experience.

The results speak for themselves.

The employer adopted early pilots, embraced biosimilar-first formularies, and eliminated high-cost markups by carving out medical specialty drugs and partnering with cost-plus pharmacies for mail order. Instead of chasing rebates, they pursued the lowest net cost — a shift that delivered meaningful savings without compromising care.

Their PBM supported the transition with white-glove service through direct outreach to members and prescribers, as well as proactive adherence programs. In addition, pharmacogenomic tools were used to ensure the right medication was provided for each individual. Annual vendor summits brought all partners together to review data, coordinate strategies, and maintain alignment.

Even major changes, such as a mandatory medical carve-out, were implemented with minimal disruption. Members were notified months in advance, prescribers were contacted directly, and hands-on support from the PBM helped to smooth the transition.

This employer's experience shows what alternative PBMs can achieve: lower costs, better access, and a member experience that feels personal rather than transactional. They also supported the benefits team in addressing their role as fiduciary, especially in light of pharmacy spending continuing to rise nationwide. Their model shows a clear message to the marketplace which is that transparency isn't just a philosophy; it's a strategy that works well when there is true collaboration with the employer and PBM.

Employers Turn to Alternative PBMs to Unlock Millions in Pharmacy Savings

Across the country, employers are discovering that an alternative pharmacy benefit manager (PBM) can deliver dramatic savings without compromising care. One large employer recently demonstrated just how powerful a lowest-net-cost strategy can achieve more than $5 million in annual savings by rethinking how pharmacy benefits are managed.

The organization began by shifting to a generic-first formulary, prioritizing biosimilars and generics wherever clinically appropriate. Clinical oversight for GLP-1 medications ensured non-diabetic use was carefully reviewed, producing meaningful savings while maintaining member safety.

This PBM model allowed the employer to pursue true lowest-net-cost strategies, including cost-plus pharmacy partnerships (e.g., Mark Cuban's Cost-Plus Drug Company). Steering members to these channels consistently lowered spend. The employer also implemented dispense as written (DAW) penalties to discourage provider DAW requests when generics were available – a small change that produced a vast impact.

Looking ahead, the employer expects significant savings from upcoming generic launches, including substitutions to high-cost diabetes medications. Their proactive approach extends beyond the PBM as they opened an on-site pharmacy operated by an independent partner. This also provided them with better control over dispensing and access to low-cost mail order options.

Their message to other employers is clear: act now, emphasizing "The cost of inaction is higher than the cost of doing something imperfectly." They urge employers to require they get their data, aggressively adopt biosimilars, stay ahead of the generic pipeline, and choose partners who provide flexibility rather than restrictions.

With nearly $30 million in lifetime savings delivered through strategic consulting and transparent PBM practices, this employer's experience highlights a growing trend. As drug costs continue to rise, alternative PBMs prove that accountability, innovation, and lowest-net-cost strategies aren't just ideals; they are a path to real, measurable savings for employers and provide better access for members.

© Copyright 2026 MBGH