Partner Insights from Judi Rx™

WHITEPAPER

# Achieving Alignment with Your Pharmacy Benefits Manager

Knowing who your pharmacy benefits really work for -and what you're actually paying for - requires more than just transparent pricing.

Medication costs put pressure on employer plan sponsors and their plan members alike. Effective yet expensive treatments like GLP-1 agonists have increased that pressure in recent years, straining employers' budgets. At the same time, employees often don't understand the relationship between what they pay for a given medication and what their employer pays — or, ultimately, where that money goes. As a result, many employers are looking toward a new generation of pharmacy benefit managers (PBMs) that offer greater transparency into their operations and sources of revenue. Transparent pricing can help employers determine whether their financial incentives align with those of their PBM. Additional transparency around clinical decision-making can further improve alignment among PBMs, employers, and the employees they ultimately serve.

In March and April 2026, Employee Benefit News surveyed 152 benefit managers at organizations with at least 1,000 benefits-eligible employees. The goal was to understand how employers are approaching PBMs with more transparent pricing models and the outcomes reported by organizations that have already moved to those PBMs. The study's findings show that employers switching to non-traditional PBMs that demonstrate their incentives are aligned with those of their members tend to achieve better outcomes than their peers, while experiencing fewer disruptions than expected.

## Employers are looking for more transparent PBM options

Traditional, large, vertically integrated PBMs have dominated the prescription drug management market for many years. Until recently, government reports and industry research regularly reported that the three largest PBMs controlled 80% of the market. That dominance appears to be waning.

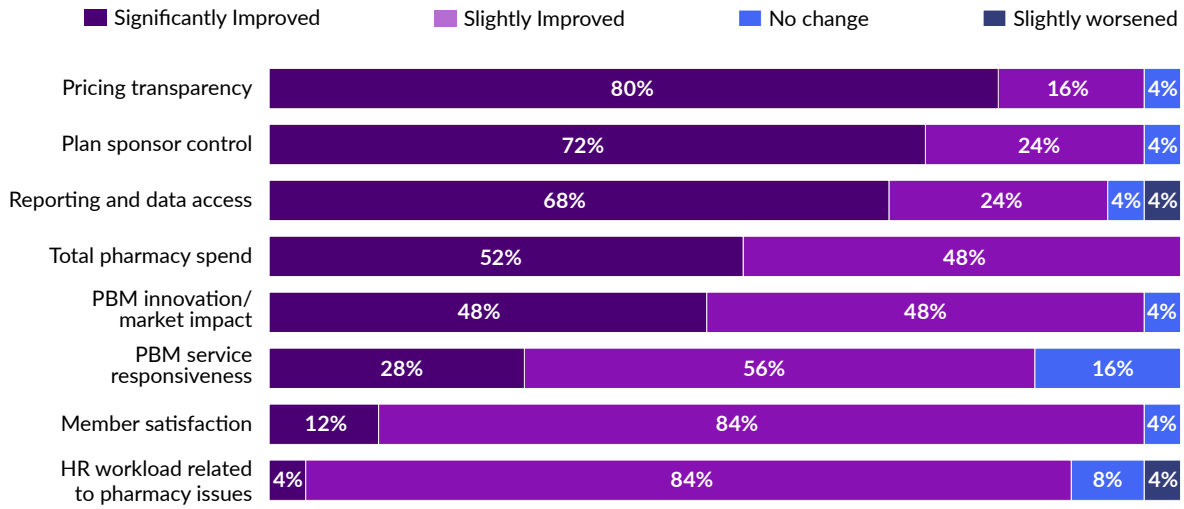
In recent years, employers and politicians have raised questions about how well these big companies' interests actually align with those of plan sponsors. Just a third of all employers (35%) believe that their current PBMs' financial model fully aligns with their organizations' interests. The market is shifting in response to that perceived misalignment. In fact, according to the survey results, the Big 3 now have a market share of less than 75%.

Importantly, openness to alternatives to the big traditional PBMs appears to be growing. More than four in five (84%) traditional PBM users say their organization is planning or considering an RFP for a new PBM within the next 24 months. Nearly six in 10 organizations (57%) believe that transparent pass-through PBMs, where fees are clearly stated and interests are aligned, will be the dominant model within three to five years.

## Transparent PBMs provide key benefits for employers and employees

Due to the historical dominance of traditional PBMs, experience with alternative models has only recently become more widespread. Organizations that have made the shift report high satisfaction with their choice, however. While only 16% of respondents say they use a "transparent PBM," every one of those respondents said this model works better than their prior arrangement — and 68% say it works much better overall. They report strong improvements in key areas, including transparency, control, data access, and pharmacy spending (see Figure 1).

### Figure 1: Transparent PBMs provide benefits in many areas




Source: Employee Benefit News — The State of Transparent PBM Adoption

**All transparent PBM users surveyed agree that total pharmacy spending improved after switching to an alternative PBM** — and more than half (52%) report a significant improvement. They also report improved member satisfaction, with 84% of plan sponsors indicating that pharmacy complaints have declined since adopting an alternative PBM.

These benefits have led to high satisfaction among employers as well. Those who made the change unanimously say they are satisfied with their current transparent pass-through PBM and that they would make the same choice again. They're also more likely to stick with their choice than their peers. More than two-thirds of these employers (68%) say they have no plans to issue another RFP for a PBM within the next two years.

> **"Employers – I think – sometimes assume transparency means bare-bones. But in reality, it means you finally see what you're paying for and why. It's really a shift from guessing to knowing."**
>
> — **Julia Bryan**, SHRM-SCP, Benefits & Compensation Manager, Subaru of Indiana Automotive

"What I see happening now is this shift from satisfaction to scrutiny," says Kristin Begley, PharmD, Chief Commercial Officer at Judi Health. "Employers are asking: 'Are we overpaying? Are the incentives aligned? Do we actually understand our costs?' Even though they seem satisfied, they understand they don't fully grasp what's under the hood."

## Disruptions from PBM changes have largely been minimal

Changing an entrenched business model does not happen overnight. While a strong majority of traditional PBM users express interest in transparent PBMs, inertia and misperceptions about the difficulty of the change appear to be keeping many from making a switch.

Nearly four in five users of traditional PBMs (78%) say they would consider working with a transparent PBM if the disruption were minimal. But many organizations remain apprehensive, citing concerns about member disruption (66%), uncertainty about cost savings (57%), and perceived implementation complexity (47%).

That anxiety may be misplaced. Employers that have made the switch report that disruption was limited and short-lived (see Figure 2). Most indicate plan members adapted quickly and the administrative burden for HR was light.

### Figure 2: Changing to a transparent PBM creates minimal disruption


Source: Employee Benefit News — The State of Transparent PBM Adoption

Julia Bryan, SHRM-SCP, Benefits and Compensation Manager at Subaru of Indiana Automotive, experienced this firsthand. "When we first moved to Capital Rx*, we honestly thought there was something wrong with our phone lines, because we weren't getting any phone calls," she says. "We were ready for all kinds of call volume and complaints and confusion, and it just didn't materialize."

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* See Judi Health™ Announces Capital Rx is Now Judi Rx™, Launches Judi Care™ and Judi Cloud™ to Power the Next Era of Health Benefits Administration and Patient Care

## Real transparency means alignment with employer and employee needs

Employers selecting an alternative PBM primarily look for cost savings, better alignment of incentives and less conflict of interest, as well as greater pricing transparency. Nearly half of respondents (48%) cite transparency as an important driver of switching but demonstrated cost savings (57%) and minimal disruption during the transition (53%) tend to be more important.

To ensure the benefits of a PBM switch outweigh any potential disruption, the most important question an employer can ask is: "How do I know if my PBM is fully aligned with me?" Asking about the PBM's revenue stream can bring to light underlying financial incentives. Pricing practices that involve rebates, spread pricing, overlapping business interests, and other difficult-to-understand activities can make true alignment with an organization's needs difficult to judge. For example, the benefits of rebates could wind up offset by higher overall costs in the long run (see sidebar, "Do rebates always save money?").

While the ability to understand where prescription dollars go is important, it's not the only thing organizations need to determine how well their PBMs ' incentives align with their own. In addition to price transparency, organizations need to understand the factors that influence the clinical decisions their PBMs make on behalf of the plan to ensure they align with employees' needs.

"The market is really transitioning away from opacity to transparency," says Begley. "Employers don't need to take this leap of faith anymore. The data is showing that when you can achieve transparency, you can achieve better cost control and stability at the same time."

The more organizations know about both financial and clinical alignment, the more likely that the benefits of a switch will outweigh any concerns they have about disruptions related to the transition. Gathering real information from other HR leaders who have experienced the transition to a transparent PBM can also reset expectations about the substance and duration of any disruption in the first place.

### Do rebates always save money?

Rebates are a common example of how misalignment can still occur, even with greater transparency into a PBM's pricing model and clinical decisions.

For example, rebates might incentivize the PBM to prioritize higher-cost medications that yield larger rebates from pharmaceutical companies over lower-cost alternatives. This kind of formulary decision can mean higher drug costs overall, even with a rebate. Many employers intuit this and appreciate that larger rebates mean higher total spending. In fact, 72% believe that overall cost transparency is more important than rebate levels.


Other business and pricing practices can seem transparent while actually masking misalignments. Potential conflicts of interest also include large PBMs or their corporate parent owning pharmacies or drug manufacturing operations; this dual ownership creates another avenue for a parent or sister company to generate more revenue when plan members fill their prescriptions.

## Methodology

This research was conducted online from March 24th to April 18th among 152 qualified respondents. To qualify, respondents needed to be employed at organizations with 1,000 or more benefits-eligible employees that offer healthcare benefits. They also needed to have at least some role in health benefits decision-making and responsibility for or oversight over benefits, employee wellness, or total rewards.

## About Judi Rx™, a Judi Health™ Company

Judi Rx™ (formerly Capital Rx) is a public benefit corporation delivering full-service and unbundled pharmacy benefit administration solutions to health plans, employer groups (including Taft-Hartley plans), third-party administrators (TPAs), and government entities. The company operates on a transparent, fee-based model, and its clinical programs, contact center services, operational support, and other services are powered by a proprietary enterprise health platform: Judi®.

## About Employee Benefit News

A Employee Benefit News is the trusted resource for the HR executives, benefits directors, advisors, and brokers shaping the future of work. Through independent journalism, expert analysis, proprietary research, and influential events, EBN delivers the insight people leaders need to navigate critical opportunities and risks — health and retirement plan strategy, AI and HR technology, talent and well-being, and workforce transformation. EBN connects a benefits and HR community of more than 280,000 professionals both in person and online.

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## Research Disclosure

This report is based on original research conducted by Employee Benefit News in collaboration with Judi Rx. Judi Rx provided input on the research topic and/or distribution strategy but did not control the research findings, analysis, or conclusions unless otherwise noted. Findings reflect survey responses and reported experiences from participants at the time of data collection. The information provided is for informational purposes only and should not be construed as legal, business, investment, or financial advice. Results may vary by institution, market conditions, and implementation. All information is provided “as is” without warranty of any kind.