Considerations for **Evaluating a PBM**

For employers, the key question is whether a Pharmacy Benefit Manager (PBM) model, contract terms, and financial incentives support the goals of the health plan. As pharmacy costs continue to rise and scrutiny around PBM practices grows, taking a closer look at how a PBM operates has become an important part of benefits strategy and oversight.

According to the Pharmaceutical Care Management Association, PBMs save patients and the U.S. health care system an average of $1,040 per person each year.[1] Still, as transparency requirements expand and contract structures face greater scrutiny, employers need a clearer understanding of how those savings are created and how much value reaches the plan. This article outlines the role PBMs can play and the key considerations employers should keep in mind when evaluating their options.

How Do PBMs Help Employers?

PBMs help employers shape pharmacy benefits in a way that balances cost, access, and member experience. They work with drug manufacturers and wholesalers to negotiate pricing and discounts, which can help lower both employer and employee prescription drug costs. PBMs can also support employers by recommending plan designs, clinical programs, and other strategies that help manage pharmacy spend.

Employers often contract with PBMs for three-year terms. Early in the relationship, the employer and PBM work together to build a pharmacy plan that fits the organization's needs, including decisions around deductibles, copayments, and coinsurance. Once the plan is in place, the PBM typically manages day-to-day administration, including claims processing, rebate administration, clinical programs, drug utilization review, and employee education. PBMs also offer call centers, websites, or mobile apps to help members understand and use their pharmacy benefits. Evaluating PBM's and their contractual execution on an annual basis is important to maintain a high performing program, regardless of the length of the contract.

Considerations for Selecting a PBM

A strong PBM relationship can help manage healthcare costs while making pharmacy benefits easier for employees to understand and use. But not all PBM models work the same way, and those differences can meaningfully affect cost, transparency, and the member experience.

As employers evaluate their options, these are some of the most important areas to review:

CLARIFY THE CONTRACT LANGUAGE

PBM contracts can be difficult to interpret, and unclear language can create problems later. Taking time to define key terms up front helps employers understand what the PBM is actually responsible for and how performance will be measured. Even familiar terms, such as "generic," may be defined differently across PBMs. During the review process, employers will want to pay close attention to rebate & discount inclusions and exclusions, administrative fees, and per-member-per-month costs.

REVIEW THE FORMULARY AND PRODUCT MIX

Not every approved drug delivers the same level of clinical value. Reviewing the formulary and broader product mix can help employers understand whether the PBM is steering members toward medications that are both appropriate and cost-effective. Employers can also ask whether the PBM uses a standard formulary or a closed formulary, how that formulary drives towards certain brands, and what alternatives for lower cost medications are available including generics and biosimilar strategies.

EVALUATE PRICING OPTIONS

PBM pricing arrangements generally fall into two categories: traditional and pass-through. Each comes with tradeoffs around fees, rebate treatment, and how pricing is passed through to the employer. Before signing a contract, employers should understand how the PBM is paid, what costs sit outside the core agreement, and which approach best fits the organization's goals and appetite for visibility.

REVIEW THE DISCOUNT AND REBATE GUARANTEES

Discounts and rebates can make a meaningful difference in overall pharmacy spend, but those savings are not always automatic. Employers should ask how guarantees are structured, what is excluded, and how savings flow back to the plan. That level of review is especially important as rebate pass-through rules continue to evolve. Notably, the Consolidated Appropriations Act, 2026, signed into law on February 3, 2026, now mandates 100% rebate pass-through for ERISA-governed commercial health plans on new and renewed contracts beginning approximately August 2028.[2]

ASSESS SPECIALTY DRUG MANAGEMENT

Specialty drugs account for a large and growing share of pharmacy spend, which makes this one of the most important areas to evaluate. Employers should understand how the PBM manages utilization, prior authorization, dispensing, and pricing for these medications. Asking those questions early can help reveal whether the PBM has practical controls in place to manage cost without losing sight of member needs.

EVALUATE REFILL THRESHOLDS

Auto-refill programs can support medication adherence, but they can also lead to waste when prescriptions are filled too early or in larger quantities than needed. Employers may want to ask how refill thresholds are set and whether there is flexibility to reduce unnecessary dispensing. For specialty medications in particular, limiting fills to a 30-day supply can help control costs and allow for faster adjustments when treatment, side effects, or other considerations are necessary.

Final Thoughts

A well-structured PBM relationship can help employers manage pharmacy spend, support employees, and get more value from their health plan. But that value depends on understanding how the PBM operates, where costs sit, and how savings are passed through. For HR and benefits leaders, taking a closer look at these details can make it easier to choose a partner that aligns with the organization's goals and delivers a better experience for members.

SOURCES

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2. Carnegie, Theresa, et al. (2026, February 6). *Congress Passes Landmark PBM Reform in 2026 Spending Bill.* Mintz. https://www.mintz.com/insights-center/viewpoints/2146/2026-02-06-congress-passes-landmark-pbm-reform-2026-spending-bill

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