



To **Bundle** *or* **Unbundle** Pharmacy Benefits?

Written By Laura Carabello

This “Shakespearean-style” question raises an issue that is top-of-mind for many health plan sponsors: Stay the course with a traditional carved-in approach that bundles pharmacy and medical benefits, or initiate a strategic shift toward innovative, alternative pharmacy benefit management (PBM) models that unbundle the services to increase transparency, control costs and allow for greater customization?

While there are numerous explanations of the models, the definitions below draw upon key industry resources:

CARVE-IN BUNDLED PLANS

Under the traditional bundled PBM model, all healthcare arrangements are handled under one roof: a single provider services a carved-in pharmacy benefits plan, holds the PBM contracts, and handles the benefit and costs. The plan sponsor remains one step removed.

When pharmacy plans are integrated into an employer’s medical benefits, they can be overshadowed by the size and influence of the medical vendor. This results in less flexibility in terms of customizing plan designs and fully personalizing plans to fulfill plan participants’ unique needs. Advisors at Navitus also explain the opportunity for plan sponsors to consider medical specialty carve-outs, especially with specialty medications now accounting for more than half of the total pharmacy spend. They suggest that it’s time to rethink the management of these drugs that are billed under the medical benefit.

With this model, the PBM controls nearly every element of the pharmacy supply chain -- a complete service package that typically includes:

- Network pharmacy contracting
- Claims adjudication platforms
- Specialty pharmacy fulfillment
- Mail-order services
- Manufacturer rebate negotiations
- Data reporting

Source: Cigna

Instead of charging employers straightforward administrative fees, bundled PBMs generate revenue through multiple indirect streams, including:

Spread Pricing

PBMs charge employers more than they reimburse pharmacies and keep the difference—often hidden inside claims data.

Retained Rebates

While employers believe rebates reduce net drug costs, many PBMs:

- Retain undisclosed portions of manufacturer rebates
- Apply rebates to offset premium equivalents rather than directly lowering claims
- Aggregate employer rebates without transparent allocation

Specialty Pharmacy Markups

PBM-owned specialty pharmacies purchase drugs at heavily discounted rates yet bill plan sponsors at rates far exceeding acquisition cost.

Channel Steering

PBMs direct employees toward their own mail-order or specialty facilities to preserve margin—sometimes at the expense of continuity of care or cost-effectiveness.

Source: United Healthcare

CARVE-OUT UNBUNDLED PLANS

Under this model, employers or plan sponsors contract with a separate company to “carve-out” benefits focused on specific diseases, such as diabetes, cancer or other specialty treatments. Carve-outs unbundle the overall pharmacy benefit that would traditionally be handled by a single medical provider.

Unbundling pharmacy benefits means adopting a modular approach that allows competitive bidding for each segment -- outsourcing each service component to separate vendors. As a result, employers migrate from one single PBM agreement to:

- A transparent claims processing administrator
- Separate competitive pharmacy networks
- Independent rebate aggregators who pass 100% of rebates back to the plan
- Open specialty pharmacy networks using lowest net-cost sourcing

The core components of an unbundled PBM strategy may include:

- **Claims Processing Platform:** receives pharmacy claims, applies formulary coverage logic, calculates copays and deductible accumulators, and operates on a flat administrative fee.
- **Pharmacy Network Contracting:** rather than exclusive PBM pharmacy networks, employers gain open access networks, allowing direct negotiations with high-volume pharmacies, performance-based pharmacy contracting and maximum competitive pressure on dispensing fees
- **Rebate Contracting:** independent rebate aggregators negotiate directly with manufacturers and can pass through 100% of rebate dollars, provide detailed rebate transparency, and align rebate structures with employer formularies.
- **Specialty Pharmacy Sourcing:** utilizes multiple specialty pharmacies, secures drugs at actual acquisition cost, and avoids exclusive arrangements that lock patients into higher-cost fulfillment systems.
- **Clinical Formulary Management:** enables customized formularies to emphasize biosimilar adoption, cost-effective therapeutic alternatives and value-based medication tiers for chronic conditions.

Whether to bundle or unbundle pharmacy benefits, it's the operational perspective that matters more than you think.

That's the guidance offered by April Gill, CCO, Smart Data Solutions, who shares, "Most discussions focus on financial outcomes, rebate structures or transparency concerns. But an equally critical and often underestimated dimension is operations – the real impact of this decision is operational."

She explains that research consistently shows that both bundled and unbundled models can deliver cost savings or inefficiencies, adding, "The differentiator is not in the philosophy itself but rather the operational infrastructure and automation maturity to support the model selected."

Gill says bundling can streamline workflows and improve coordination by unifying data, prior authorization, and claims processes, and has been associated with lower medical utilization in some populations. However, she cautions that it may reduce pricing transparency and flexibility.

"Unbundling offers greater control, vendor choice, and cost visibility, but increases operational complexity and administrative burden if systems are not well aligned," continues Gill. "Ultimately, success in either model depends on automation, interoperability, and workflow intelligence. Strategy sets direction, but infrastructure determines performance."



April Gill

adherence. This approach facilitates easier identification of gaps in care and potential drug interactions, resulting in cost management controls that often allow for combined utilization management, reduced duplication of services and improved formulary alignment. There is also increased "potential for better negotiating leverage with providers and manufacturers."

Roffe also points to the benefit of simplified administration, with one point of contact for eligibility, claims, reporting, and customer service. Easier implementation of value-based care programs that span both medical and pharmacy leads to enhanced reporting and analytics, with unified data providing more comprehensive insights into the total cost of care and better capabilities to track outcomes and ROI for integrated programs.

Roffe also reviews the cons of bundling, citing vendor lock-in arrangements that limit flexibility to choose best-in-class solutions for pharmacy vs. medical and make it harder to switch vendors if performance is poor.

"The increased potential for higher costs is evident, as some bundled arrangements may not deliver true savings if the vendor lacks strong pharmacy cost controls," he continues. "There is also elevated risk of hidden fees or less transparency in pricing, with limited opportunities for



Bruce Roffe

UNDERSTANDING THE PROS AND CONS OF BUNDLING

Bruce D. Roffe, P.D., M.S., H.I.A., president & CEO, H.H.C. Group, provides a balanced viewpoint:

"Bundling improves care coordination, enabling one vendor to integrate data from both medical and pharmacy claims, resulting in better management of chronic conditions and medication



Scott Byrne

customization as employers or TPAs may lose the ability to tailor pharmacy programs independently (e.g., specialty drug carve-outs). Moving to a bundle model can require significant system and process changes that result in operational complexity during the transition.”

He concludes that while integration simplifies administration and improves care coordination, it often comes at the expense of flexibility and pricing transparency, concluding, “This is why

many TPAs and health plans must weigh the benefits of operational simplicity against the strategic need for control over pharmacy spend. Bundling can lower costs through integration and scale, but employers and TPAs need to scrutinize pricing models, rebate guarantees, and performance metrics to ensure promised savings materialize.”

UNDERSTANDING THE PROS AND CONS OF UNBUNDLING

Scott Byrne, president of Blackwell Captive Solutions, provides an overview.

“Bundling pharmacy and medical can simplify administration, but that simplicity often comes at the cost of visibility and control. When pharmacy is carved in, employers lose clarity on what drives trend and have limited ability to intervene. Unbundling opens the door to transparent pricing and best-in-class partners, which is critical as specialty drugs become a leading cost driver. Integration challenges can occur if contracts aren’t aligned, but with strong governance, those risks are manageable. For most employers, unbundling delivers more customization, clearer data, and a more sustainable long-term cost strategy.”

While bundling pharmacy with medical can feel convenient, Byrne advises that convenience often comes with trade-offs that limit an employer’s ability to manage rising costs. When pharmacy is carved in, pricing, rebates, and clinical strategy sit behind opaque structures that make it hard to see what is truly driving trend.

“Unbundling restores transparency and gives employers access to best-fit partners,” he continues. “Yes, multiple vendors require clearer contracts, but strong governance solves that. For most organizations, the long-term value of unbundling -- clarity, control, and the ability

to guide strategy -- outweighs the short-term simplicity of bundling.”

Source: Education Dynamics

Byrne views integrated models as an opportunity to streamline certain administrative tasks, but they often centralize control in ways that limit an employer’s line of sight into pharmacy performance.

“You may get one point of contact, but you also inherit that partner’s formularies, pricing logic, and rebate structures,” he explains. “That can make it harder to customize strategies or verify whether programs are driving measurable impact. In my experience, employers don’t struggle most because they have too many partners; they struggle most when they lack the transparency needed to make informed decisions. Flexibility and clarity usually create stronger coordination than a single integrated vendor.”

While bundled contracts sometimes appear less expensive upfront, Byrne says the true cost picture is more complex, adding, “When pharmacy is packaged inside medical, employers often lose insight into how drug costs are calculated or how rebates flow. That can mask trend rather than reduce it. In a bundled arrangement, savings usually come from negotiated discounts or guarantees, not

from the underlying clinical strategies that actually change outcomes. Bundling can reduce administrative fees, but it rarely addresses the specialty-drug inflation that drives the majority of year-over-year increases.”

He maintains that sustainable savings come from transparency and targeted management, not from packaging benefits together.

“Unbundling pharmacy from medical benefits allows employers to design a strategy that actually fits their population and financial goals,” says Byrne. “It opens the door to transparent

pricing, gives employers a clear view of what they’re paying for, and enables direct partnerships with vendors that specialize in high-cost areas like specialty pharmacy. It also allows employers to negotiate terms based on performance rather than accepting a one-size-fits-all bundle.”

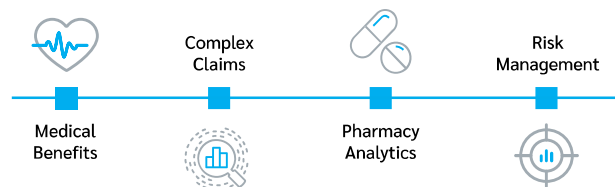
For organizations to succeed in the long term, Roffe advises that they insist upon flexibility and measurable outcomes, noting, “Unbundling isn’t just about choice, it’s about building a model that employers can truly manage.”

Issues can arise, however, when pharmacy and medical are separate. Lack of integration can create problems, especially if contracts are not carefully managed. Roffe points out the risks of creating data silos when medical and pharmacy vendors may not share data, making it harder to manage total cost of care.



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“There is also the risk of duplicate or conflicting programs,” he says. “For example, both vendors may implement separate prior authorization processes, frustrating providers and members. There is further potential for misaligned Incentives, as pharmacy vendors may push high-cost drugs that increase medical costs, while medical vendors focus on reducing hospitalizations without considering drug adherence.”

Additional concerns are coordination failures since specialty drug management often requires close collaboration between medical and pharmacy benefits, and a lack of integration can lead to delays or coverage disputes. Contractual gaps might also arise if responsibilities for certain drugs (e.g., infused medications) are unclear, leading to disputes and unexpected costs.

“Yes, unbundling generally empowers employers with greater control, transparency, and flexibility, but it comes with added responsibility for managing vendor relationships and ensuring integration of data and care,” affirms Roffe.

MORE SUPPORT FOR UNBUNDLING

Justin Jasniewski, CEO, Serve You Rx, did not hesitate, “We advocate for unbundling. While bundled solutions promise administrative simplicity,

they sacrifice transparency and employer control. When pharmacy is embedded in the medical benefit, employers tend to have less visibility into cost drivers, less access to data, and little influence over pharmacy strategies.

When asked if unbundling creates operational challenges, he was emphatic, “Yes, if the right partners are not selected. However, with clear coordination, modern technology, and a focus on service, a seamless experience is achievable. The real question is: are you willing to accept limited transparency for perceived convenience? “

He further says that integration may simplify some administrative processes, “But that convenience comes at a cost. In bundled arrangements, carriers dictate formulary decisions, network options, and clinical programs - leaving little room to customize. True flexibility means selecting best-in-class partners and aligning programs to your population's specific needs.”

Jasniewski maintains that unbundling allows employers to customize plans, negotiate directly with vendors for greater control and transparency and select best-in-class partners for specific services.

“Absolutely -- unbundling returns visibility and control to employers,” he states. “In an unbundled arrangement, you can evaluate pharmacy performance independently, select partners that reflect your priorities, know what you’re paying for, and hold your PBM accountable. Most importantly, you gain transparency into pricing, rebates, and outcomes - the foundation for informed benefit decisions, not to mention what is demanded today of plan fiduciaries.”

FUTURE-FORWARD PHARMACY BENEFITS MODEL

Industry trackers report that while self-insured stakeholders were promised a bundled approach would deliver efficiency through scale, this model is apparently losing its luster. In 2026, employers are increasingly adopting an unbundled model to improve their negotiating power, potentially achieve better discounts -- especially for high-cost specialty drugs -- and gain more visibility into spending.



Justin Jasniewski

Unpacking the transition, a recent survey from Pharmacy Strategies Group (PSG) found that nearly one in three organizations are evaluating unbundled PBM models. Respondents say they prefer modular frameworks that allow plan sponsors to separate individual services and choose specialized partners based on performance, value and strategic fit. This shift brings greater control and agility, both of which are often limited in traditional PBM arrangements.

Lori Daugherty, CEO, RxLogic, concurs, “As a technology partner to pharmacy benefit management stakeholders seeking alternatives to the traditional PBM model, we find that many are considering or



Lori Daugherty

exercising their options to choose an unbundled model. For example, employers and health plans that implement an unbundled model often gain greater visibility into drug utilization trends, improved rebate transparency and enhanced control over formulary design, ultimately reducing overall drug spend while improving member outcomes.”

She points to several factors that account for this shift:

1. **Cost Control:** As pharmacy benefit costs continue to rise, employers are looking for ways to manage these expenses more effectively. Unbundling allows them to have more control over the costs associated with pharmacy benefits.
2. **Transparency:** Traditional PBM models often lack transparency, making it difficult to understand where the money is going. Unbundled models provide greater visibility into the costs and operations of pharmacy benefits, helping employers make more informed decisions.
3. **Flexibility:** Employers are seeking additional flexibility in administering their plans. Unbundling allows them to tailor their pharmacy benefits to better meet the needs of their employees and their organization.
4. **Popularity of GLP-1 Drugs:** The recent popularity of GLP-1 drugs has highlighted the advantages of unbundled PBM models. These drugs are often expensive, and unbundling can help employers manage the costs associated with them more effectively.

“A fully unbundled model enables more informed decisions based upon a plan’s specific goals about whether to adopt modular PBM carve-outs or fully unbundled models,” continues Daugherty. “Success depends upon the ability to leverage technology that effectively coordinates care and maintains high-quality patient outcomes.”

Daugherty details the benefits of a fully unbundled model:

- Provides comprehensive control over all aspects of pharmacy benefits, allowing for more effective management.
- Offers enhanced transparency, ultimately reducing overall program costs while improving access to accurate data.

She emphasizes that there are certain caveats that underscore the value of selecting a technology partner that recognizes the importance of flexibility and offers a configurable platform with API-integration capabilities for optimal plan design.

"Managing a fully unbundled model adds complexity and administrative burden, which is why a technology partner like RxLogic is essential, providing the solutions and vendor integrations needed to simplify operations," she continues. "However, technology must be designed with flexibility at its core to support both bundled and unbundled models. This adaptability allows users to build and manage various rule sets tailored to their specific plan and benefit designs."

PREPARE FOR THE FUTURE

A clear indication of this trend towards alternative PBMs is the announcement from pharmaceutical giant Eli Lilly, which is dropping its contract with CVS Caremark as the PBM for its 23,000 US-based employees. Lilly joins other large employers (including Tyson Foods) that are making a switch, but the Lilly decision is especially noteworthy since drug manufacturers have been so critical of the giant PBMs and their approach to bundled services, yet they renewed their arrangements year after year. This may be a sign that things are really moving in that direction.

Additional documentation of the trend comes from a Mercer survey on health and benefit strategies for 2026. It found that health plans are breaking free from the traditional "all-in-one" PBM approach, with about 10% of health plans exploring modular, unbundled models. Rather than contracting with a single PBM for all pharmacy services, leading health plans — including Blue Shield of California — are unbundling traditional pharmacy benefit functions to achieve greater savings, such as rebates, adjudication, retail, mail and specialty pharmacy. Unbundling allows employers to choose their PBM vendor without the influence of the medical vendor.

The decision to bundle or unbundle pharmacy benefits becomes even more critical for employers of every size as federal and state regulators continue to debate PBM reforms. With an eye on increasing transparency, changing the rules on rebates and introducing direct-to-consumer drug purchasing programs, legislators are calling for change with increased clarity, determining the difference between short-term repairs vs. sustainable long-term solutions.

With a goal to truly align the model with a plan's clinical and financial objectives, leaders should:

Review Current Contracts: Examine the terms to fully understand current pricing structures and the inclusion of any clauses that may result in hidden costs. Develop a strategy, create a plan and define plan goals for cost containment, member support and pricing transparency.

Compare Options: Evaluate different PBM and pharmacy benefit solutions to arrive at the best fit for your organization's needs. If simplicity is the key priority, bundling may still be the optimal choice. However, plans seeking significant cost savings and greater control may opt for unbundling as the clearer path forward in an environment where specialty drug costs continue to accelerate.

Bundle or Unbundle?

Get Expert advice: Identify an experienced benefits consultant that you trust guide your decision. Check with your broker or TPA, who can also help navigate the complexities of bundling vs. unbundling. ■

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