GEHRING GROUP
BROWN & BROWN PUBLIC SECTOR

Bending the Trend

Medical and Pharmacy Cost Containment



Presented By:
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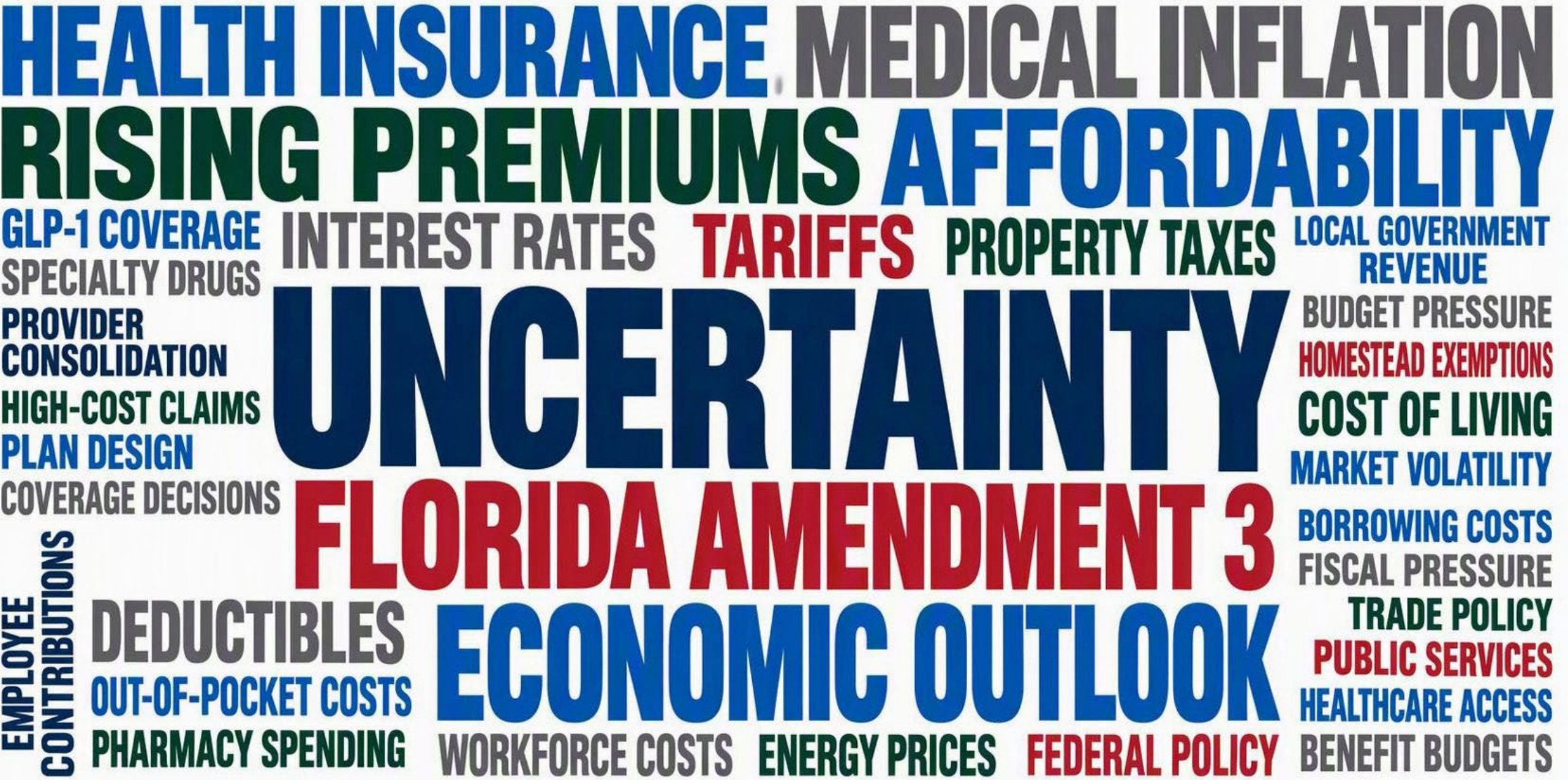
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Topics for Discussion

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Opening Comments	Why this conversation matters now
Medical inflation	Trend, drivers, and what Florida peers are seeing
Pharmacy	Specialty drugs, GLP-1s, and net cost
Cost containment strategies	Network, clinical, payment integrity, funding, and pharmacy levers
Roadmap and considerations	A phased plan and public-sector issues
Questions and discussion	Pressure-test the plan against your situation


HEALTH INSURANCE
MEDICAL INFLATION
RISING PREMIUMS
AFFORDABILITY
GLP-1 COVERAGE
INTEREST RATES
TARIFFS
PROPERTY TAXES
LOCAL GOVERNMENT REVENUE
SPECIALTY DRUGS
UNCERTAINTY
BUDGET PRESSURE
PROVIDER CONSOLIDATION
HOMESTEAD EXEMPTIONS
HIGH-COST CLAIMS
COST OF LIVING
PLAN DESIGN
MARKET VOLATILITY
COVERAGE DECISIONS
FLORIDA AMENDMENT 3
BORROWING COSTS
FISCAL PRESSURE
EMPLOYEE CONTRIBUTIONS
DEDUCTIBLES
TRADE POLICY
ECONOMIC OUTLOOK
PUBLIC SERVICES
OUT-OF-POCKET COSTS
HEALTHCARE ACCESS
PHARMACY SPENDING
WORKFORCE COSTS
ENERGY PRICES
FEDERAL POLICY
BENEFIT BUDGETS

Show of Hands

What is your current funding arrangement?

1. Fully Insured
2. Self-funded
3. Hybrid

   (e.g. Minimum Premium)

How many employees do you have?

1. Less than 100
2. 100–500
3. 500–2,500
4. More than 2,500

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The Numbers

The Cost Curve Has Moved

NUMBERS EVERY FINANCE LEADER SHOULD KNOW

9%

Projected 2027 group medical trend

Highest in 17 years (PwC)

9.5%

Projected 2027 employer cost growth

Aon, August 2026

76%

Cumulative growth, 2018 to 2027

About double general inflation (Business Group on Health)

>85%

Of actuaries expect pharmacy trend to outpace medical

PwC, 2027 survey

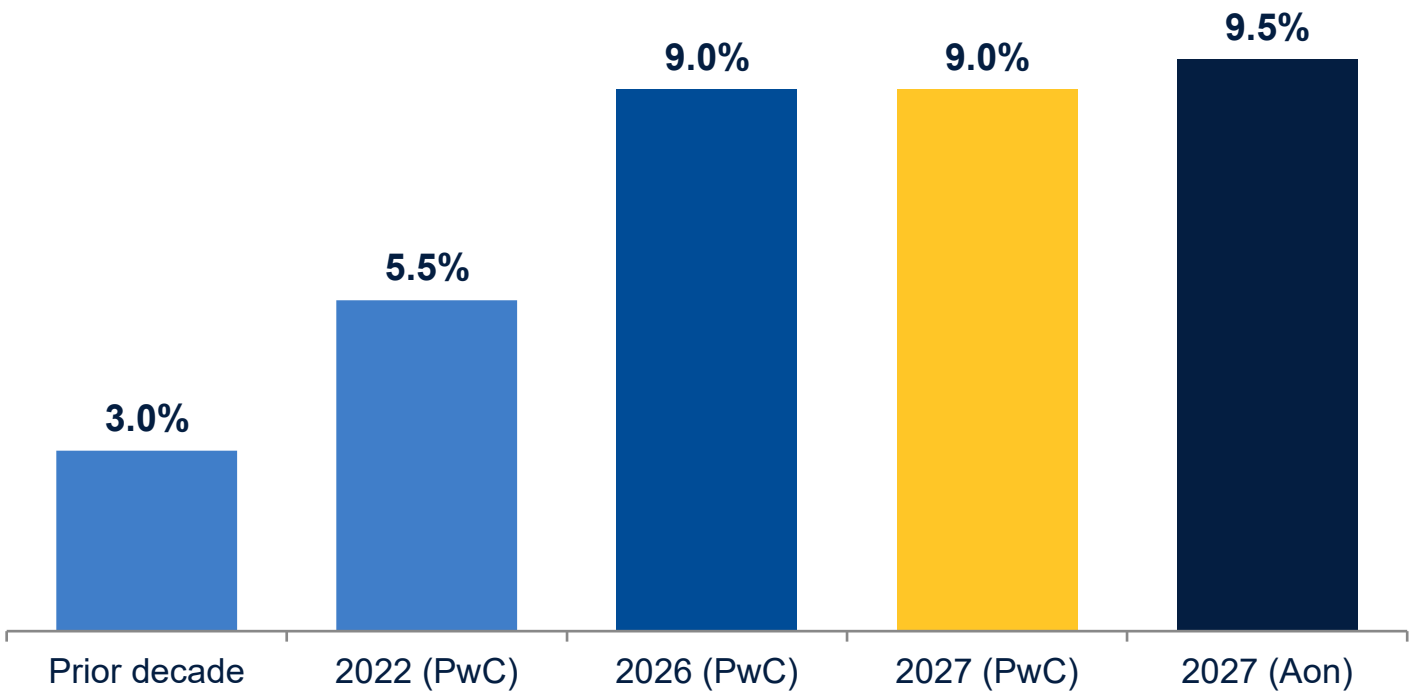


Planning assumptions built on a decade of about 3% - 6% growth no longer hold.

Trend Highest in 17 Years

GROWTH HAS STEPPED UP AND STAYED UP

Annual cost trend or increase, by source (%)



A decade at about 3% is over

Mercer: increases averaged about 3% for a decade before the recent run.

Price and use are both rising

Mercer's chief actuary points to both price and utilization.

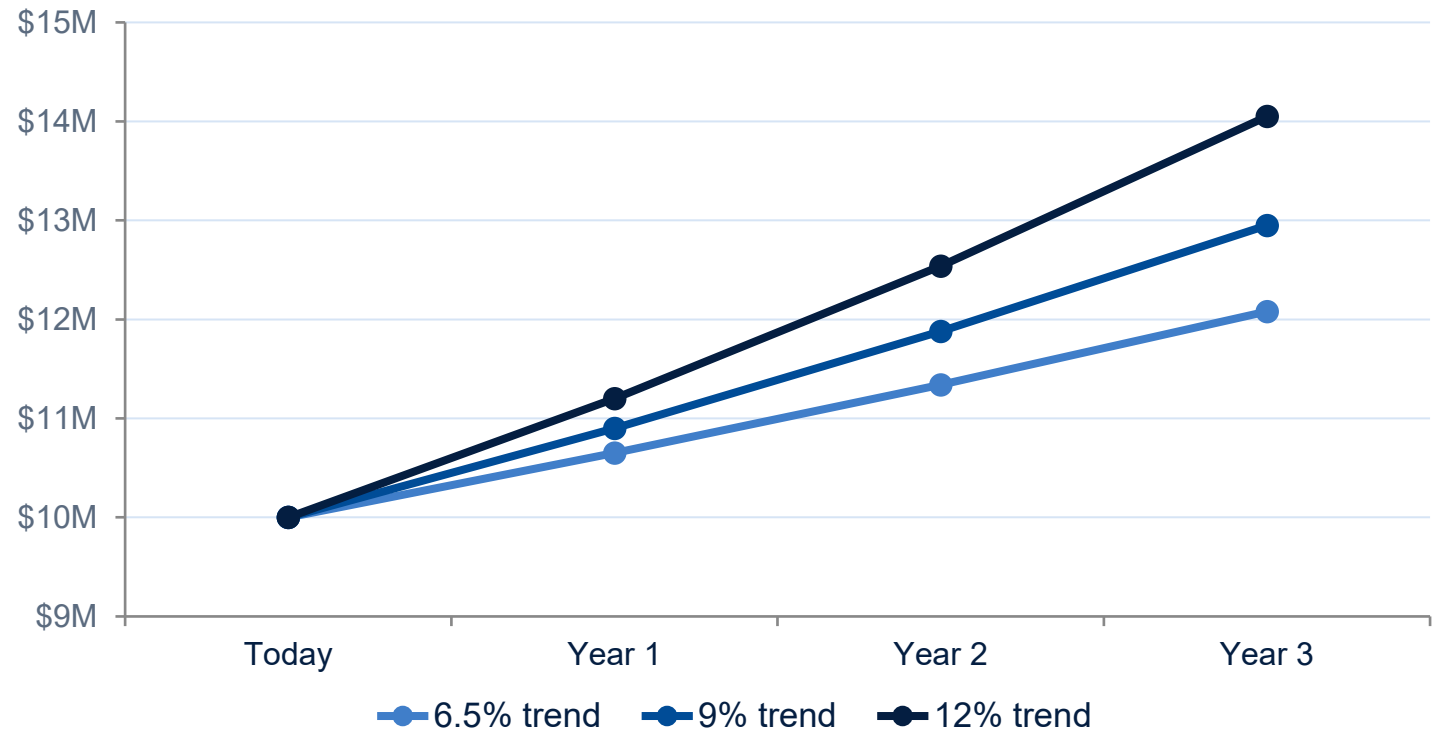
Employers are responding

More than half planned cost-cutting plan changes for 2026 (Mercer).

9% Trend – Impact on Budgets

COMPOUNDING TURNS SMALL TREND GAPS INTO REAL DOLLARS

Illustrative plan cost on a $10M base ($M)



$871K

more by Year 3 at 9% than at 6.5% on a $10M plan

$1.97M

more by Year 3 at 12% than at 6.5%

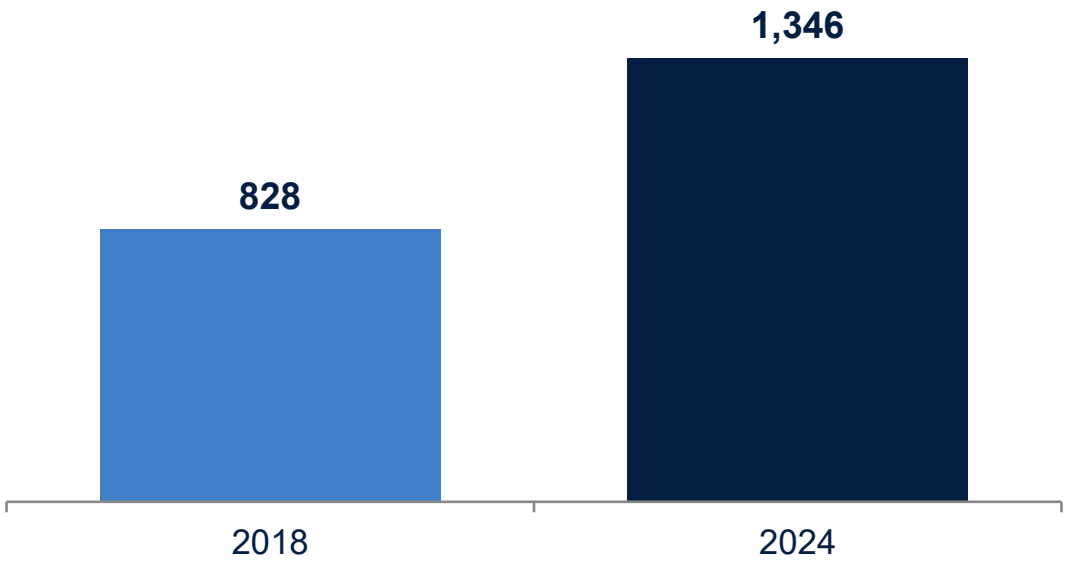
Rule of thumb: each point of trend is about $100K in Year 1 per $10M of plan spend.

Illustrative compounding for discussion; not a forecast for any specific plan.

Utilization is Rising

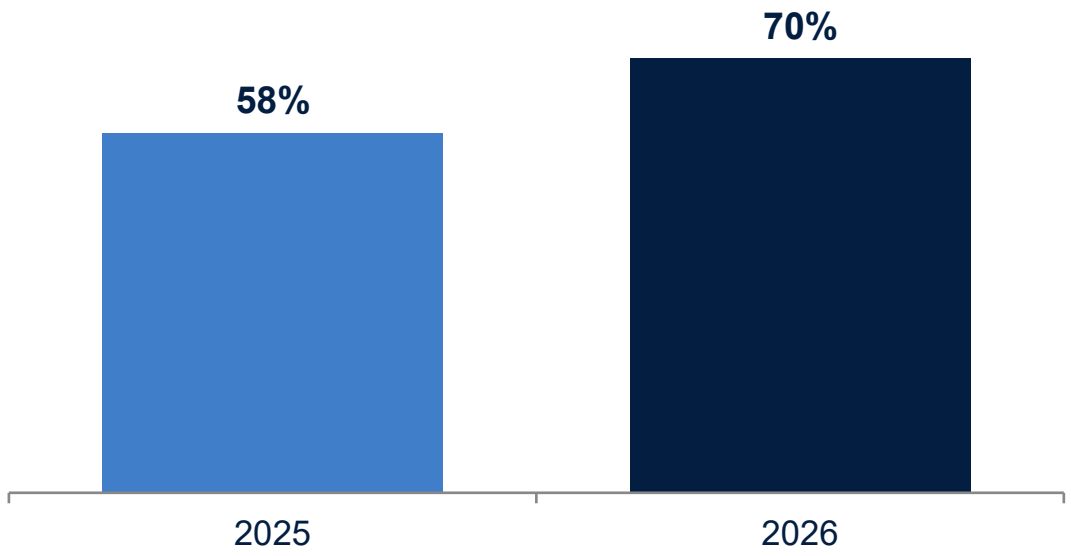
Behavioral health and cancer are leading the way

Behavioral health visits per 1,000 people



Up 62% in six years, driven by use rather than price.

Employers naming cancer a top cost driver

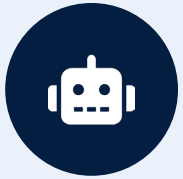


Heart disease and musculoskeletal conditions round out the top three.

Sources: Trilliant Health via CFO.com; PwC; Business Group on Health 2026 Employer Health Care Strategy Survey via pharmaphorum and eMarketer.

5 Forces Driving Trend

2027 VIEW OF COST DRIVERS



AI-assisted coding

Fuller documentation can raise billed severity and payment per encounter.



Provider pricing and consolidation

Reimbursement pressure plus fewer market alternatives.



Pharmacy spend

Specialty drugs and expanding GLP-1 uses outpace medical trend.



Behavioral health use

Utilization up 62% since 2018 as more people enter and stay in care.



Out-of-network disputes

No Surprises Act payment disputes add cost and administrative load.

Savings We Hoped For…

COME AND GONE

Generic drugs

Savings are already in baseline trend

In baseline

Biosimilars

Adoption is built into carrier assumptions

In baseline

Site-of-care shifts

Early gains are largely captured

In baseline

What is left: the levers you control

- Targeted utilization management where cost and variation are highest
- High-cost claim and oncology management
- Provider pricing and contract terms
- Pharmacy net-cost discipline

Pharmacy is Setting the Pace

The fastest-growing and increasingly the most visible line



12%

Estimated 2026 growth in employer drug costs

10.9%

Pharmacy cost per member growth in 2025, nearly 30% of benefit costs

9%

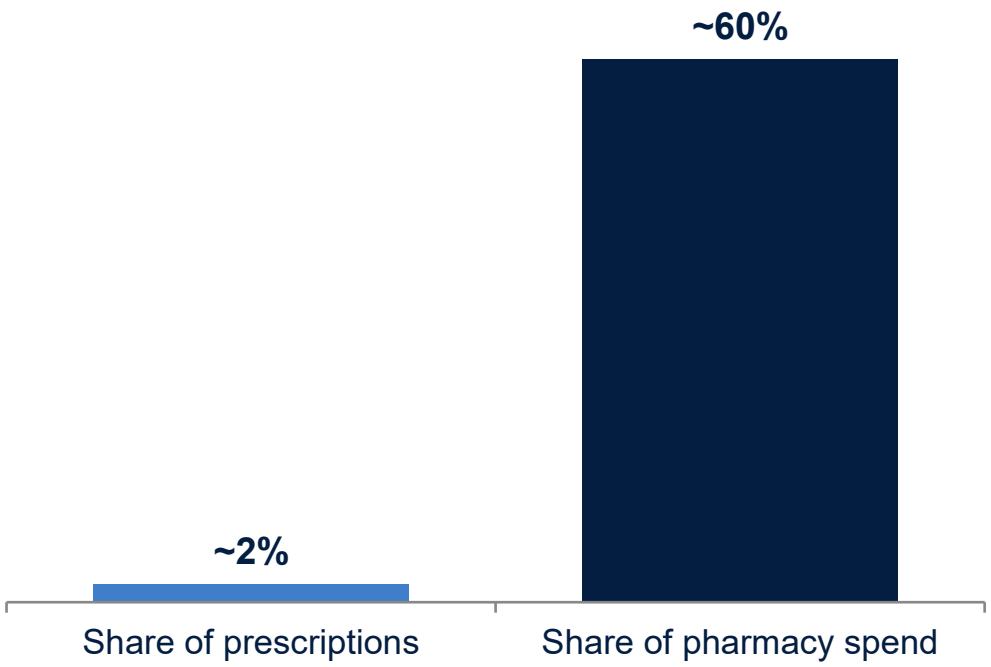
Mercer: prescription benefits up about 9% in 2026 vs. 6.7% for total costs

Sources: Business Group on Health via eMarketer; WorldatWork Workspan Daily (2026 State of Employer Benefits Report; Mercer).

Specialty Drugs Drive Spend

A small share of prescriptions carries most of the cost

Specialty drugs: share of volume vs. share of spend



Biosimilars

Can lower specialty cost 15% to 35% in some classes, depending on contract terms.

Cell and gene therapies

Few members, but a single claim can move a mid-size plan's year.

Stop-loss terms

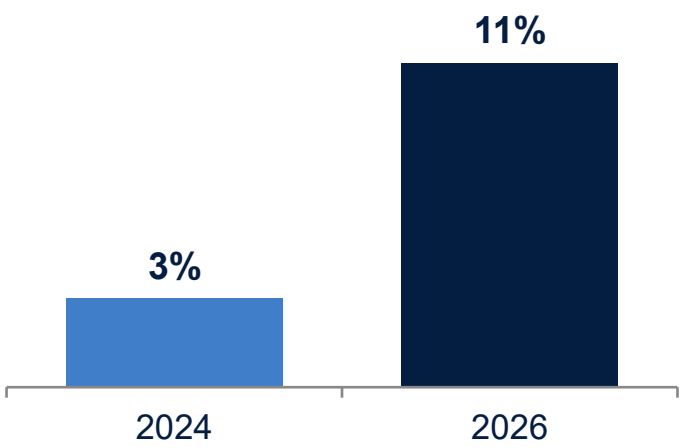
Review high-cost therapy language before the claim arrives.

Sources: JA Benefits industry analysis; Insurance Business. Figures are approximate and vary by plan.

GLP-1s: Fast Growth, Real Debate

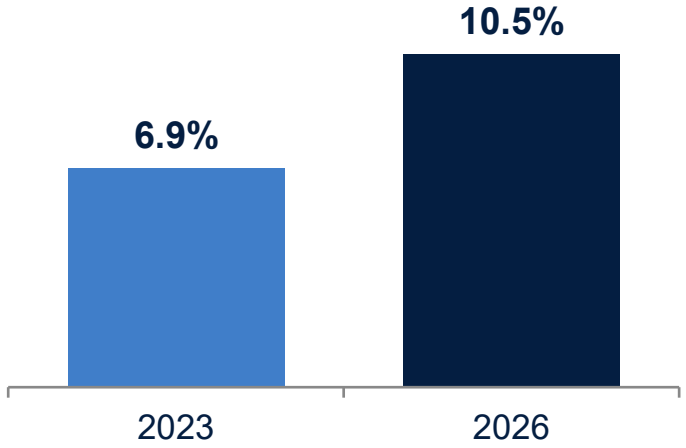
Use is climbing while employer coverage for obesity pulls back

U.S. adults using GLP-1s



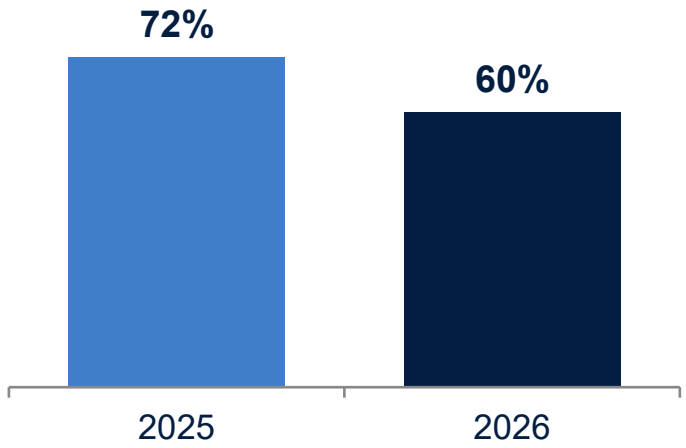
Use nearly quadrupled in two years.

GLP-1s as share of Rx claims



Spend per member per month doubled, $11 to $24.

Employers covering GLP-1s for obesity



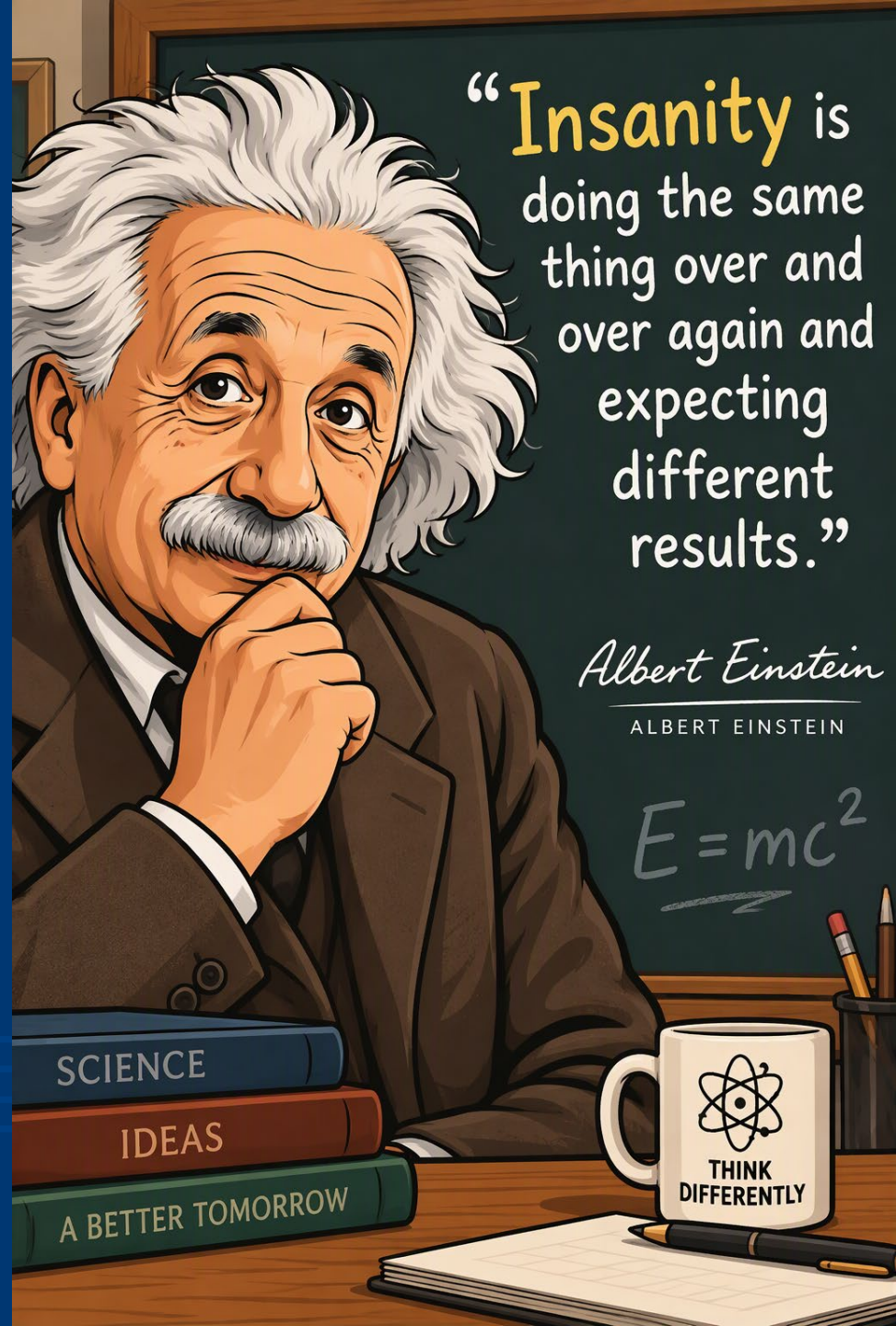
Coverage is retreating; diabetes coverage largely holds.

Savings may arrive years later, while pharmacy spend rises immediately.

Sources: Gallup via eMarketer; Espresa 2026 benchmark (vendor report); Business Group on Health via pharmaphorum; WorldatWork.

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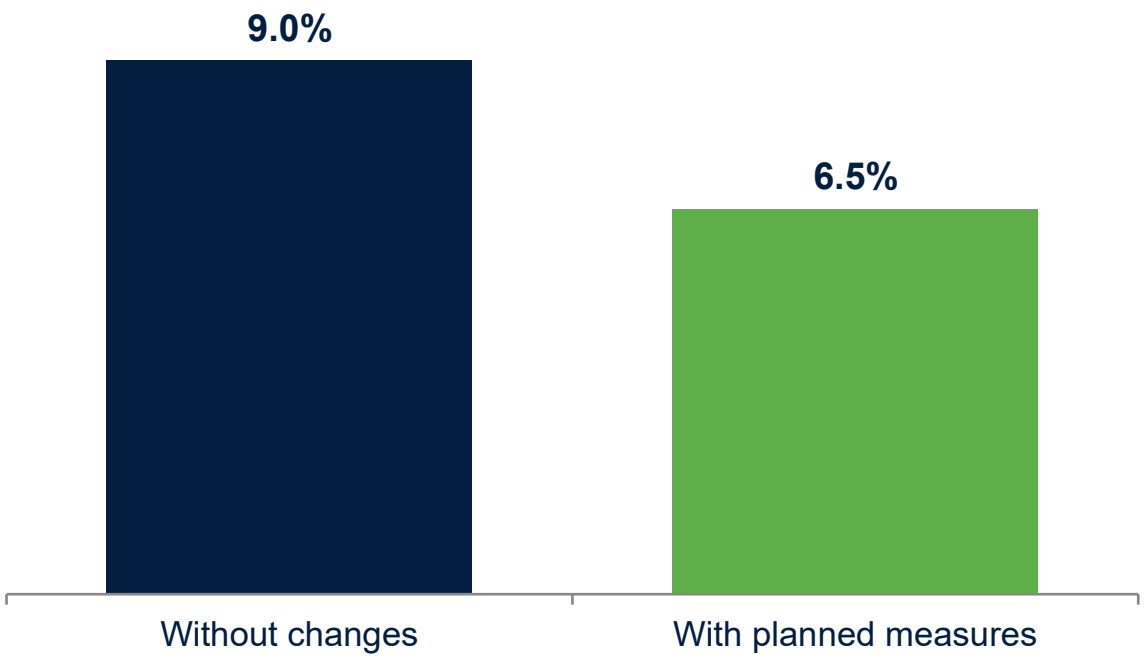
Bending the Trend



Action Vs. In-Action

Planned measures narrowed the projected 2026 increase

Projected 2026 cost increase per employee (%)



2.5 pts

Mercer's estimate of the gap between doing nothing and planned action

Top planned steps

Managing the priciest claims and reviewing programs for value.

Caution

Measures may shift cost to members rather than lower total cost, but the cost of inaction may be far costlier. **Every year a plan stays the same it gets richer for employees and more costly for employers!**

Source: Mercer 2025 National Survey of Employer-Sponsored Health Plans via Fierce Healthcare and HR Dive.

4 Pillars of Bending the Trend

HOW CAN WE MOVE THE NEEDLE

Price

What we pay

Network design, contract benchmarking, site-of-care steerage

Utilization

How much care is used

Targeted utilization management, navigation, high-cost claim management

Pharmacy

Cost, Terms, Drug Mix

PBM terms, formulary, specialty and GLP-1 management

Funding and design

How we finance and decide

Funding model, stop-loss, reserves, plan design, contributions

Before We Make Changes

What makes this different for government employers

Budget and reserves

Set reserve targets and trend scenarios before budgets are adopted.

Bargaining and contributions

Cost sharing, premiums, and plan changes often move through bargaining.

Procurement and public records

Florida's Sunshine and public-records laws shape RFPs, scoring, and contracts.

Governance and decision rights

Name who decides plan design, vendors, and reserves, and document it.

Privacy and compliance

HIPAA, No Surprises Act, and parity rules. Confirm applicability with counsel.

Member experience and retention

Benefit changes affect recruiting and retention. Communicate early.

Medical: Clinical Management

Focus effort where cost and variation are greatest



Targeted utilization management

Concentrate clinical review on the services with the highest cost and variation.

PwC guidance



High-cost claim management

Early identification, case management, and oncology navigation.

70% cite cancer



Behavioral health access

Faster access and effective care can influence total trend.

+62% since 2018



Chronic and MSK programs

Support for cancer, cardiac, and musculoskeletal conditions.

Top 3 spend drivers

Sources: PwC Behind the Numbers 2027; Business Group on Health 2026 survey.

Medical: Network and Price

Steer volume to lower-cost, higher-value care

High-performance and tiered networks

Steer volume to facilities with lower total cost and strong outcomes.

Centers of excellence

Concentrate surgery, oncology, and transplant at proven programs.

Site-of-care steerage

Move imaging, infusion, and outpatient surgery to lower-cost settings.

Price transparency and benchmarking

Test facility prices against Medicare multiples before you renew.

PEER EXAMPLE

North Carolina State Health Plan, 2027

- Tiered provider cost sharing built around cost, access, and value
- A $0 member cost surgical benefit
- Cost sharing on high-cost imaging

Source: North Carolina State Health Plan 2027 benefits presentation (dpi.nc.gov).

Pharmacy Playbook

Pharmacy benefit transparency

Pass-through pricing, rebate visibility, audit rights. 32% of employers plan transparent PBM models in 2027.

Formulary and biosimilar preference

Place biosimilars and generics in preferred positions; savings of 15% to 35% in some specialty classes.

Specialty management

Manage by drug and site of care, with prior authorization and net-cost tracking.

GLP-1 guardrails

Clinical criteria, lifestyle program requirements, and re-authorization. Some employers use direct channels.

Net cost over list price

Judge contracts on net cost after rebates and fees, not discounts off list price.

Market check and audit

Test PBM terms against the market at renewal and audit performance annually.

Carrier Negotiations: Rebate Gains

Rebate increases from two recent carrier negotiations

CONTRACT MODIFICATION 1

Before	After negotiation
$4.3M	**$9.9M**

130.2% increase in rebates

CONTRACT MODIFICATION 2

Before	After negotiation
$321K	**$949K**

195.6% increase in rebates

GLP-1 Coverage Spectrum

Lower spend exposure

Higher spend exposure



1

Diabetes only

Obesity excluded. Lowest exposure, most member pushback.

2

Obesity with guardrails

Clinical criteria, lifestyle program, and re-authorization. Moderate exposure.

3

Managed access channels

Direct-to-employer or direct-to-consumer pathways alongside criteria.

4

Broad coverage

Few restrictions. Highest exposure, easiest member experience.

Savings often arrive years later; pharmacy spend rises immediately.

1 in 4 workers say GLP-1 access shapes how they view their benefits.

GLP-1 Case Studies

Sheriff's Office 

Enrolled:	2,577
GLP-1Spend:	$4,686,589
% of Rx Spend:	33%

Weight Loss Spend: $2,981,707

- ✓ Removed all coverage
- ✓ 6.7% Overall Reduction In Claim Spend

County Government 

Enrolled:	1,749
GLP-1Spend:	$2,610,361
% of Rx Spend:	38%

Weight Loss Spend: $1,874,772

- ✓ Added $200/mo. HRA
- ✓ Removed all non-diabetic coverage from medical plan

4
Roadmap and Keeping Score

Roadmap: Four Phases

1. Diagnose
2. Prioritize
3. Launch
4. Measure and adjust

Days 0 to 90

- Pull 24 months of medical and Rx claims
- Inventory contracts, fees, and key dates
- Identify top cost drivers
- Baseline net pharmacy cost

Months 3 to 6

- Size each opportunity in dollars
- Rank by savings, risk, and effort
- Brief governance and bargaining leads
- Plan market checks

Months 6 to 12

- Run market checks and select vendors
- Put plan design and network changes in place
- Build member communication
- Set stop-loss terms

Ongoing

- Track the scorecard quarterly
- Review net cost by drug and facility
- Reset trend assumptions in the budget
- Adjust before renewal

Keeping Score

Eight measures to review on a regular cadence

Medical PMPM

Net of stop-loss reimbursements

Pharmacy PMPM, net

After rebates and fees

High-cost claimants

Count and share of spend

Generic dispensing rate

Tracked monthly

Biosimilar uptake

Share of eligible specialty fills

GLP-1 use and net cost

Members and spend

Site-of-care mix

Imaging and surgery at lower-cost sites

Reserve position

Months of claims held, with IBNR

Sources

Figures are cited as reported; definitions and populations differ by source

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- Espresa 2026 Lifestyle Spending Account Benchmark and Trends Report, via JR Report (vendor survey)
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- WGCU, Highlands County School Board health insurance costs (May 21, 2026); Govly workshop summary
- News Service of Florida via WGCU, "Small Florida school districts band together" (Aug 7, 2026)
- WPTV, Palm Beach County teacher health insurance agreement
- North Carolina State Health Plan, 2027 benefits presentation: dpi.nc.gov



Ready to find your solutions? Let’s chat.

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