

Key Take-Aways

- Calendar year 2024 was the twenty-second year of operation for the University of Michigan’s self-managed, self-funded Prescription Drug Plan.
- Pharmacy claim costs rose in 2024 to \$269 million – a 9.17% increase compared to 2023 (Table 1). While claim costs and utilization increased, the plan also received a substantial increase in rebates and other discounts. This offset limited the increase in overall per-member-per-month (PMPM) costs to less than 1%.
- The plan initiated and completed a Pharmacy Benefit Manager (PBM) request for proposal (RFP), resulting in projected plan savings of more than \$24 million per year compared to previous contract terms.
- The growth of traditional drugs, specifically the rise of glucagon-like 1 (GLP-1) products for the treatment of diabetes and weight loss, was a major driver of plan spend. The emergence of biosimilars, including those for adalimumab (Humira), continued to assist in controlling specialty spend.
- The internal prescription drug plan at the University of Michigan continues to keep pharmacy costs affordable while expanding coverage for the University of Michigan benefit-eligible population.

2024 Prescription Drug Plan Costs and Utilization

Table 1: Cost and Utilization Metrics, 2024.

	2024	2023	Change
Average Monthly Enrollment	123,185	120,820	+1.96%
Total Claim Count	1,301,943	1,232,341	+5.65%
<i>Traditional Claim Count</i>	<i>1,269,481</i>	<i>1,202,975</i>	<i>+5.53%</i>
<i>Specialty Claim Count</i>	<i>32,462</i>	<i>29,366</i>	<i>+10.54%</i>
Plan Expenses	\$210,021,497	\$204,647,603	+2.63%
<i>Claim Costs</i>	<i>\$269,238,695</i>	<i>\$246,619,543</i>	<i>+9.17%</i>
<i>Operational Costs, Rebates, and other Discounts</i>	<i>-\$59,217,199</i>	<i>-\$41,971,940</i>	<i>-41.09%</i>
PMPM Costs	\$142.08	\$141.15	+0.66%

PMPM: Per-Member-Per-Month.

Plan Operations and Administration

Membership Utilization

Approximately 75% of all eligible members utilized their drug plan benefit in 2024, in line with pharmacy utilization over the past several years. The average monthly membership in 2024 was 123,185 members, with an average of 46,156 (37%) utilizing their benefit every month. The net PMPM plan costs rose to \$142.08 — a 0.66% increase from 2023.

Drug prices continued to climb in 2024, driven by multiple drug classes. Treating diabetes, obesity, oncology, and auto-immune conditions such as psoriasis, inflammatory bowel disease, and rheumatoid arthritis incurred significant costs. Details on specific products in these categories are discussed below. Vaccine utilization and spending slightly decreased from \$7.7 million in 2023 to \$7.2 million in 2024.

Rebates improved significantly in 2024 compared to 2023, helping reduce overall prescription drug costs. The plan worked closely with Prime Therapeutics Management, the plan's current pharmacy benefit manager, to improve rebate terms and formulary opportunities throughout the calendar year.

Vendor Management

The Prescription Drug Plan and Benefits Administration Office made substantial efforts to ensure the University's vendors provided optimal service and pricing. Procurement Services, in partnership with the Human Resources Benefits Office and Lockton-Dunning, an external pharmacy benefits consulting firm, initiated a comprehensive RFP in 2023. This RFP included several established, national PBMs.

In April 2024, the University awarded the contract to Prime Therapeutics Management, formerly known as Magellan Rx Management, after producing the greatest savings with minimal disruption to current operations. The finalized terms of the agreement will administer over \$850 million in drug expenses from 2025 through 2027, with projected savings of \$73 million, representing a 7.9% reduction over previous contractual guarantees. Ongoing assessments via annual market checks will ensure rates remain competitive.

In addition to optimizing the University's PBM contract, the Prescription Drug Plan evaluated its contract with the mail order partner, Birdi. In collaboration with Lockton-Dunning, the plan assessed mail order market rates and opportunities for University of Michigan benefit-eligible employees, retirees, and dependents. As a result, the University and Birdi successfully negotiated new financial terms for plan years 2025 through 2027, promising savings for both the University and its members. As with the plan's PBM arrangement, the University will continue to evaluate these rates through annual market checks.

PGY-1 Managed Care Residency Program

In support of the University of Michigan's academic mission and key partnerships with the College of Pharmacy and Michigan Medicine, the Benefits Administration Office is in the eighth year of hosting an American Society of Health-System Pharmacists (ASHP)/Academy of Managed Care Pharmacy (AMCP)-accredited Post-Graduate Year 1 (PGY1) Pharmacy Residency program. The residency program offers real-world learning in all aspects of pharmacy benefit management, including member support and communication, formulary management, and vendor contracting. This program underscores the University's commitment to education, training leaders, and being a national leader in pharmacy benefits. All prior graduates of the program have successfully obtained roles within managed care or ambulatory care.

In 2024, Dr. Nohal Mekkaoui, PharmD (University of Michigan College of Pharmacy Class of 2023) researched the clinical and economic impacts of a unique biosimilar switch policy from both a plan and member perspective. The 2024-2025 PGY1 Managed Care Resident, Dr. Emily Nguyen, PharmD (University of Michigan College of Pharmacy Class of 2024) initiated an internal study to assess potential health inequities relating to pharmaceutical access and utilization within the prescription drug plan. Interim results of this project were presented at the 2025 AMCP Annual Conference.

Plan Accomplishments

Formulary Management

The University of Michigan's Prescription Drug Plan maintains a custom formulary, ensuring cost-effective coverage of medications with evidence-based clinical programming. In 2024, plan staff presented eight class reviews, 37 new to market drugs, and 50 new line extensions for formulary consideration to the University's Pharmacy Benefit Advisory Committee (PBAC). Additionally, the plan's clinical team reviewed and updated over 227 drug use policies.

Adalimumab (Humira) has historically been the Plan's number one drug in terms of plan costs, with \$21 million spent for 369 distinct members in 2022. The launch of adalimumab-atto (Amjevita), the first biosimilar of

adalimumab (Humira) in early 2023, presented an opportunity for the plan to save a minimum of 55% on every adalimumab claim using a low list-price, non-rebate driven strategy. The plan successfully avoided \$6.2 million in 2023 from the biosimilar switch. In 2024, the plan further optimized the adalimumab biosimilar program, avoiding approximately \$18.5 million in potential plan expenses. The pharmacy team also developed a strategy for ustekinumab (Stelara) biosimilar launch, expected in early 2025, which should provide additional savings of a similar magnitude.

Active management of existing drugs and classes by the plan in the last year led to substantial savings. Classes of drugs with notable generic entrants include medications to treat seizures, leukemia, heart failure, and overactive bladder. Additionally, the plan avoided spend on more than 40 “high cost, low value” products (high-cost generic or branded drugs with the same active ingredients of common, low-cost generics).

Strategic Alliance with Michigan Medicine Specialty Pharmacy

The Plan continues to partner with Michigan Medicine to ensure best in class pharmacy care for its members. In 2024, 5,295 members used Michigan Medicine for 45,183 mandated claims, representing \$134.3 million in drug costs.

Select medications are mandated to fill at Michigan Medicine due to a combination of special handling, unique monitoring, and costs. The Plan added 29 newly FDA-approved medications and line extensions to the list of drugs mandated to Michigan Medicine pharmacies throughout the year. This continued partnership facilitates consistency of care and medication management for Plan membership using these complex medications.

GLP-1 Utilization

The use of GLP-1 products for diabetes and weight loss continued to increase throughout 2024, presenting new clinical and financial challenges to the University and plan membership. In 2024, the plan spent \$27.3 million and \$12.3 million on diabetes and weight loss GLP-1s, respectively. This represents a 32% increase in diabetes GLP-1 spend and a 39% increase in weight loss GLP-1 spend compared to 2023.

External factors, such as the American Diabetes Association (ADA) 2024 treatment guidelines placing GLP-1s as first-line therapy for patients with type 2 diabetes, and the Michigan Collaborative for Type 2 Diabetes’ (MCT2D) goal of increasing the use of GLP-1s for patients with type 2 diabetes, have contributed to the accelerated growth seen in this class. To address the financial challenges with GLP-1s, the University may explore additional utilization controls in 2025 to ensure appropriate use of these products.

2025 Major Priorities and Initiatives

Major initiatives targeted by the Prescription Drug Plan for 2025 include:

1. Controlling rising pharmacy costs while providing members with broad access to medications via active formulary management, utilization controls, and clinical programming.
2. Implementing a biosimilar strategy for Ustekinumab (Stelara) and continuing promotion of biosimilar-first strategies, where possible.
3. Exploring potential options to maintain a quality pharmacy benefit while maximizing cost savings for Medicare-eligible members.
4. Navigating the changing regulatory landscape and the potential financial impact of pharmaceutical tariffs and executive orders on the plan and its membership.

For additional information about the Prescription Drug Plan, please contact RxDrugPlan@med.umich.edu.