

The Growing Need for Specialty Drug Manufacturers to Take Notice of Self-Funded Employer Trends

In recent years, self-funded employers have been exploring strategies to manage rising healthcare costs, particularly those associated with specialty drugs such as gene and cell therapies and high-cost treatments for rare diseases. These self-funded employers assume the financial responsibility for their employees' health benefits rather than purchasing traditional (fully insured) insurance. Employer groups are under immense pressure to contain claim costs while providing quality benefits to their employee base. Specialty drugs, which often come with high price tags, have become a significant source of financial strain for these employers.

Five Key Trends with Self-Funded Employer Groups

1. Focus on Cost Containment

The cost of healthcare, particularly specialty drugs, is rising at an unsustainable rate. Employers are beginning to take a more proactive stance in controlling these costs, moving beyond relying on traditional bundled insurance plans. Employer groups now can contract with various cost-containment vendors with the sole focus of lowering facility and drug claim spend.

2. Emphasis on Plan Document Carve-outs

One approach gaining traction is the use of carve-outs, in which specific benefits (such as specialty drug coverage) are carved out of the general plan altogether. This allows employers to utilize alternative vendors to negotiate better prices or target manufacturer or patient assistance programs. By carving out these benefits, employers have greater ability to manage their employee claim fund.

3. Use of Laser Policies

Although "lasers" have traditionally been used to safeguard against a known high-cost claimant, the use of "contingent lasers" in the event an employee might eventually utilize a new high-cost specialty drug or therapy during the year is on the rise, and the result could be a direct claim charge to the employer. Depending on the employer group's cash flow or risk threshold, this could result in eventual carve-outs of entire drug classes.

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4. Increased Focus on Pharmacy Benefits and Managed Care

Employers are paying more attention to managing pharmacy benefits through independent pharmacy benefit manager partnerships and independent pharmacy consulting strategies. Self-funded employers are increasingly outsourcing the administration of specialty drug benefits to firms that offer more customized formularies, cost-management strategies, and innovative solutions to manage high-cost medications.

5. Increased Scrutiny and Accountability

As self-funded employers push for greater accountability with their healthcare spend, drug manufacturers face increased pressure to demonstrate the clinical value and cost-effectiveness of their therapies. This scrutiny will likely extend to the efficacy of specialty drugs and their long-term impact on the patient's quality of life. This can also be expanded to include manufacturers proactively offering warranties in the event the therapy does not provide the expected result. Most gene therapies on the market today offer such agreements, but stop-loss carriers, reinsurers, and self-funded employers have little to no access to these programs while paying the lion's share of the claim, causing growing frustration.

Conclusion



The landscape for self-funded employers is rapidly evolving, with an increased focus on controlling high-cost specialty drugs. As these employers adopt various strategies to control costs, the manufacturers who understand 1) how self-funded employer groups operate, 2) the available tools to control claim spend, and 3) evolving trends such as gene and cell risk pools that guarantee coverage of scheduled therapies will be better positioned to succeed in this new environment. Adapting to these trends will be crucial for manufacturers to remain competitive.

COEUS, an industry leader in market access consulting, has been providing its clients with guidance around the commercial self-funded market for years. Whether your team needs training in the self-funded ecosystem or a self-funded stakeholder engagement strategy, we have you covered. The environment is rapidly changing and having a strong understanding of self-funding is a must. Please reach out to Ben Cieply (bcieply@rednucleus.com) to learn more.

About COEUS



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COEUS leverages the deep knowledge and experience of the company's many subject matter experts to deliver a broad range of services across all drug types with a particular focus on gene and cell therapies, rare disease, and oncology. In its 16-year history, the company has supported the launch of more than 150 pharmaceutical brands and has worked with over 300 pharma clients including many top global pharmaceutical manufacturers.

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