



Pharmacy Benefits Glossary:

**How to build a better
benefits strategy**



Pharmacy benefits are full of technical jargon – but if you're partnering with your broker to guide your organization's benefits strategy, understanding what the terms mean can enable you to better navigate the benefits process and design a plan that works for your bottom line, your members, and your organization's long-term goals.

As you review this glossary, consider not just what these terms mean – but how different vendor models approach them. A pharmacy benefits optimizer (PBO) model offers a more transparent, clinically guided, and employer-aligned strategy compared to traditional pharmacy benefits managers (PBMs).

Vendor Types

Pharmacy benefits manager: Administers your plan, manages drug lists, and negotiates pricing; may retain drug rebates paid by manufacturers or profit from formulary placement for certain drugs

Pharmacy benefits optimizer: Advocates for your plan's success by managing the PBM relationship on your behalf, offering contract clarity, human-led clinical management, and transparent, ongoing reporting

Why it matters:

A PBO like RxBenefits helps ensure your plan works for you, not the vendor.

Plan Funding Models

Self-funded: The employer pays claims as they are processed through the plan which offers more control over costs, greater flexibility, and the potential for long-term savings.

Fully insured: Employer pays a fixed premium regardless of claims, which can make plan costs more predictable, but they have less insight into how well pharmacy spend is being managed.

Why it matters:

Self-funding can unlock meaningful savings, but only if you have a partner focused on pharmacy - optimizing performance and mitigating risk..

Purchasing Models

The “Big Three:” An industry term referring to the three largest pharmacy benefits managers (PBMs) in the U.S. that manage the majority of pharmacy benefit plans nationwide – Caremark, Express Scripts, and OptumRx

Coalition: A purchasing group that pools employers together to access preferred rates, and can therefore reduce costs, but may limit your flexibility to customize benefits or access vendors

Why it matters:

If your organization has specific goals around access, trend management, or reporting, working with a PBO allows you to weigh coalition and “Big Three” pricing against a broader set of solutions.

Cost Savings Mechanisms

Copay card: Reduces the member’s out-of-pocket cost for select brand drugs

Patient assistance program: Financial assistance programs offered by pharmaceutical manufacturers to help patients afford their medications

Why it matters:

PBOs can help ensure these programs are integrated thoughtfully – protecting the member experience while reducing unnecessary spend.

Drug Types

Brand drug: A patented medication sold under a manufacturer’s name

Generic drug: An FDA-approved equivalent to a brand drug, offering the same clinical benefit at a lower cost

Biologic drug: A pharmaceutical, typically high-cost medication made from living cells or biological sources, often used to treat chronic or rare conditions

Biosimilar: A lower-cost, FDA-approved alternative to a biologic drug that has proven to be safe and clinically effective

Specialty drug: High-cost medication used to treat complex, chronic, or rare conditions, often requiring special handling, monitoring, or administration

Why it matters:

Drug types have a major impact on pharmacy spend. Optimizing the use of generics, biosimilars, and appropriate specialty therapies is key to controlling costs while maintaining high-quality care for members.



The PBO Perspective

A PBO brings clarity and alignment to a complex space working independently to help self-funded employers optimize their pharmacy strategy.

A PBO like RxBenefits supports HR leaders with:

- **Client-aligned incentives:** No financial ties to drug selection or dispensing – decisions are made in the best interest of the plan and its members
- **Independent clinical management:** High-cost therapies are reviewed by pharmacists to ensure safe, appropriate, and cost-effective use
- **Transparent data and reporting:** Clear, pharmacy-specific insights with expert guidance to help you act on what matters

Interested in what this model could look like for your organization?

Contact your benefits advisor to begin a pharmacy benefits conversation.

