



Key Strategies to Manage Escalating Supply & Pharmaceutical Costs

June 5, 2025

Agenda

1. Introduction
2. 340B Program Updates
3. 340B Program Strategies
4. Market Trends
5. Mitigation Strategies
6. Key Takeaways





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We nurture a deep understanding of our clients' industries, delivering greater insight, deeper specialization and tailored solutions through people who listen to understand, are responsive and consult with purpose to deliver value.

Deep industry understanding

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Every industry is different, and we put a strong focus on specific industry experience and knowledge of your complex and evolving environment. We provide a range of audit and assurance, tax, advisory and consulting services to help your business by bringing together experienced professionals from all over the globe who understand local contexts and cultures.

We serve global industries including:

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- Manufacturing & Distribution
- Technology, Media & Telecommunications
- Life Sciences
- Private Equity

\$5B

combined revenue
(2023)

100+

combined countries,
territories & markets

400+

combined offices
& locations

1,800+

combined partners

40,000+

combined team members

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Leveraging Our Forward Vision to Help You Achieve Financial & Operational Excellence

Forvis Mazars has designed its healthcare consulting solutions portfolio specifically to address a healthcare organization's unique & complex challenges & opportunities. We combine informative analytics & deep technical resources & competencies to help you make informed decisions that drive value, quality, & results.



Strategy & Finance

Mergers, Acquisitions & Partnerships, Organizational Health, Physician Alignment, Strategic Planning, Value-Based Care, Dynamic Financial Modeling, Financial System Optimization, Prospective Reporting & Feasibility Studies, & Payor Strategies



Healthcare Reimbursement

Cost Reporting, DSH & Uncompensated Care Reporting, Medicare Bad Debt, Regulatory Compliance, Post-Acute Care Targeted Offerings, & Strategic Reimbursement Offerings



Performance Improvement

Clinical Documentation: Integrity, Improvement & Coding, Clinical & Operational Excellence, Cost Management, Pharmacy & 340B, Physician Services, & Revenue Cycle & Integrity



Payor Services

Network Development & Strategy; Clinical & Quality Outcomes, & Compliance

#8

Largest Healthcare Consulting Firm (2024)

89

*Net Promoter Score®

Modern Healthcare's Largest Management Consulting Firms 2024 ranking & UCX survey NPS®
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Forvis Mazars

Meet the Team



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Principal



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Manager

340B Program Updates



Legislative Updates

- Legal & admin. action related to “rebate models” bears watching.
- The administration is likely to reduce Part B payments for 340B drugs ... again.
- Senate HELP Committee Chair Cassidy plans to introduce bill to mitigate “misuse.”

	Federal	State
Legislative	<ul style="list-style-type: none">• H.R. 7635: 340B PATIENTS Act<ul style="list-style-type: none">• SUSTAIN 340B Act• H.R. 8574: 340B ACCESS ActSenator Cassidy Investigation	Contract Pharmacy Laws Passed <i>MN, MO, KS, AR, MS, LA, MD, WV, UT, NE, SD, ND, NM</i>
Litigation	<ul style="list-style-type: none">• AHA v. Becerra <i>Supreme Court of the U.S.</i>• Novartis v. Carole Johnson <i>Court of Appeals for D.C. Circuit</i>• Sanofi-Aventis U.S. v. HHS et al. <i>U.S. Court of Appeals for the Third Circuit</i>	Contract Pharmacy Laws Upheld <i>AR, MD, LA, MS, MN</i> <i>AR – Supreme Court Declined to Hear Case</i> Contract Pharmacy Laws Challenged <i>MO, KS, WV, UT, NE, SD, ND, NM</i>


Executive Orders, Budget, & Tariffs

- HHS/CMS/HRSA/OPA staffing
- Executive Order – Lowering Drug Prices by Once Again Putting Americans First
 - Inflation Reduction Act Review
 - Drug Price Acquisition Survey – Part B
 - 340B/All Part B Drugs
 - Medicare Payment – Physician Offices/Hospital Outpatient Departments
- Budget
 - HRSA Move Under CMS
- Tariffs
 - Drug Manufacturing
 - India: 48%
 - Europe: 22%
 - China: 13%
 - USA: 10%
 - Other: 7%
 - Stockpiling/Shortages
 - Generics




Site-Neutrality Likely Expanded

Policies expanding site-neutral payments & care delivery in lower cost settings are supported by think tanks aligned with President Trump.



BILL U.S. Senator for Louisiana
CASSIDY, M.D.



MAGGIE HASSAN
UNITED STATES SENATOR FOR NEW HAMPSHIRE

LOWERING HEALTH COSTS FOR SENIORS FRAMEWORK

U.S. Senators Bill Cassidy, M.D. and Maggie Hassan are working together on the below policy options for site-neutral payment reform. This paper explores policy options for payment reform that would reduce health care costs for patients and taxpayers, improve the financial stability of Medicare, reduce provider consolidation, and provide assistance to hospitals serving rural and high-needs communities.

INTRODUCTION

The high cost of health care in the United States is a significant burden on families and taxpayers. Three in four adults worry about their ability to afford unexpected medical bills for themselves or their family.¹

As hospitals expand their ownership of physician practices and outpatient care facilities, patients are increasingly paying high hospital prices in these previously low-cost settings. Under the Medicare program, taxpayers and patients now share the cost of hospital “facility fees” – hundreds of dollars in additional fees which are now being charged when a patient gets basic care, such as a steroid injection or an allergy test. Patients with private insurance are also facing hundreds of dollars in facility fees for basic care, without ever setting foot in a hospital.

Source: "Lowering Health Costs for Seniors Framework," cassidy.senate.gov, October 2024.

Potential Policy Actions

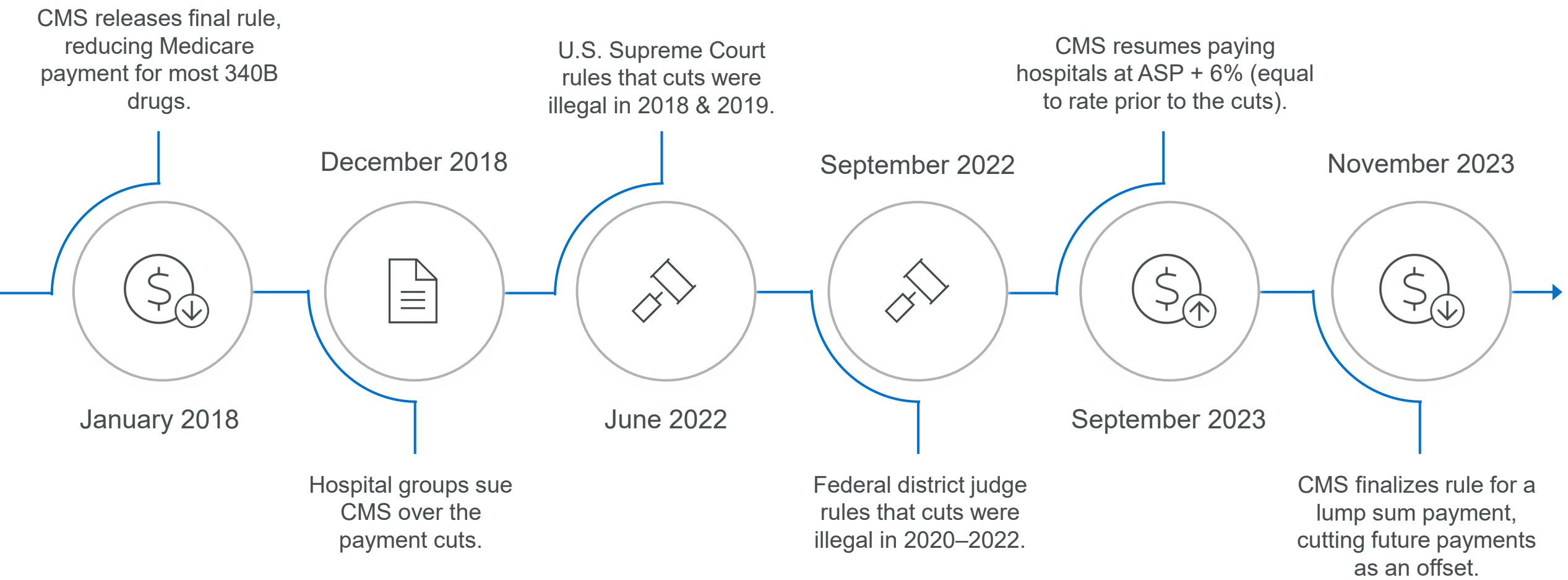
Legislation:

- Repeal Section 603 HOPD Exemptions
- Site-Neutrality Across HOPD, ASC, & MD Office
- Off-Campus HOPD Billing Identifier
- Funding to Support Rural/Safety Net Hospitals

Administrative Action:

- Phase Out Inpatient Only List
- Expand ASC Covered Procedure List

OPPS Remedy Timeline



However, the final rule did not address Medicare Advantage plans.

Legislative Updates

Senator Cassidy Investigation

Entities Investigated

Contract Pharmacies

- CVS Health
- Walgreens

Hospitals

- 2 Hospitals

Community Health Centers

- 2 Community Health Centers

Manufacturers

- Amgen
- Eli Lilly

Findings

“They **charge a complex range of fees** for using their pharmacy services to dispense 340B drugs to patients. They also charge additional administrative fees for Third Party Administrator services. These fees, which generally increase each year, **divert resources from the 340B Program’s intended purpose ...**”

“Both hospital(s) generated hundreds of millions of dollars in 340B revenue, **but do not pass 340B discounts directly to their patients.** Additionally, these hospitals report using 340B revenue on ‘capital improvement projects’ & ‘community benefit programs,’ but **do not account for what specific expenses 340B revenue goes towards.**”

“Both FQHCs **generate significant revenue from the 340B Program** with a few therapeutic drug classes accounting for a majority of this revenue. There are **differences in how these FQHCs utilize contract pharmacies** & provide 340B drug discounts to patients.”

“**Report significantly increasing 340B sales to contract pharmacies** compared to direct sales to hospitals & grantees. However, their data shows that **manufacturer [restrictions] have not led to a meaningful decline in purchases of 340B drugs.** They claim they have difficulty taking actions that ensure 340B Program integrity.”

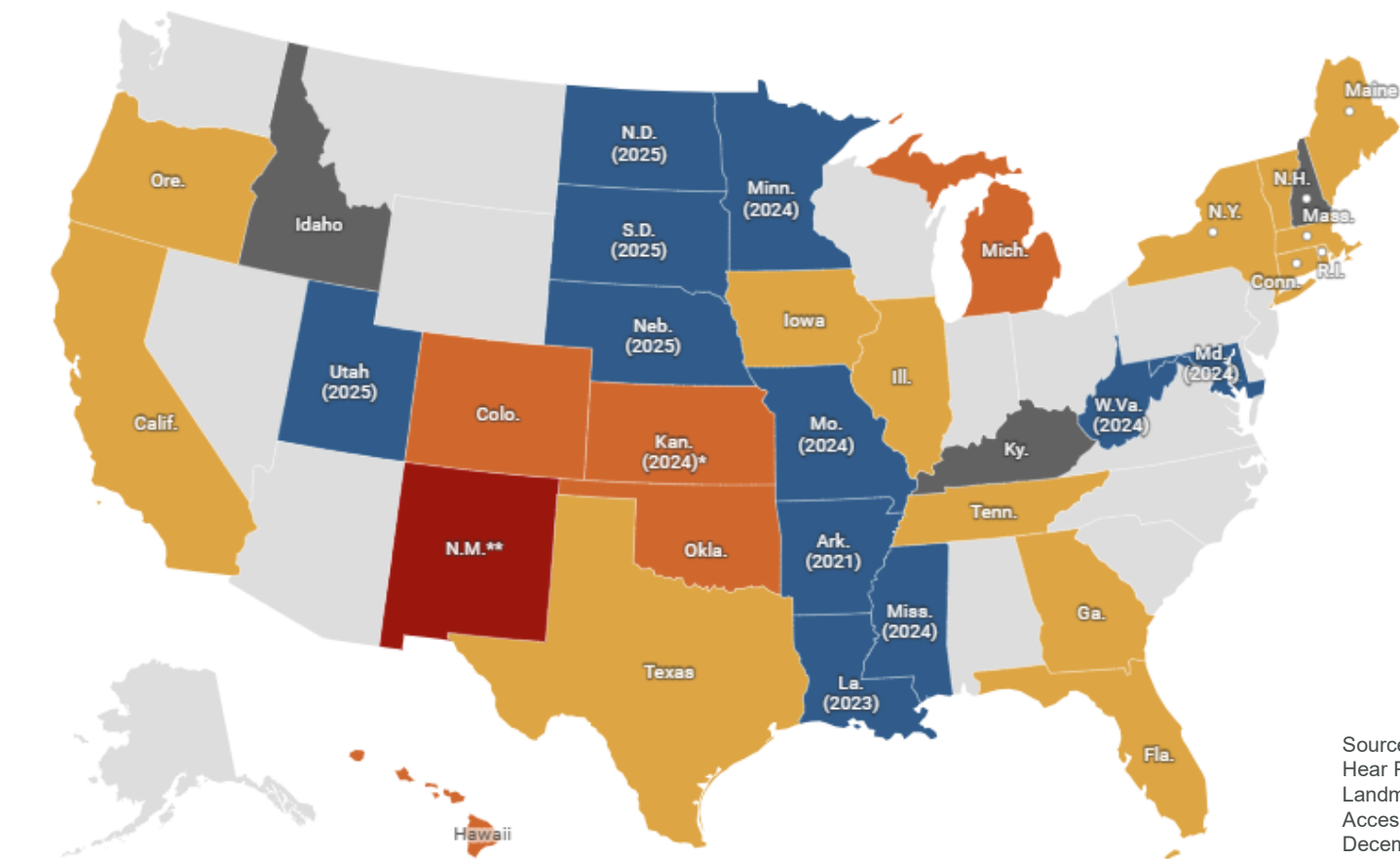
Source: senate.gov, Chair Cassidy Releases Report on 340B Reform, Calls for Congressional Action

Legislative Update

Addressing Manufacturer Restrictions

340B REPORT 2025 State Legislation Tracker: Contract Pharmacy Access Bills and Laws

■ Law passed ■ Bill introduced in 2025 ■ Bill cleared first legislative chamber ■ Bill with state governor ■ Bill died







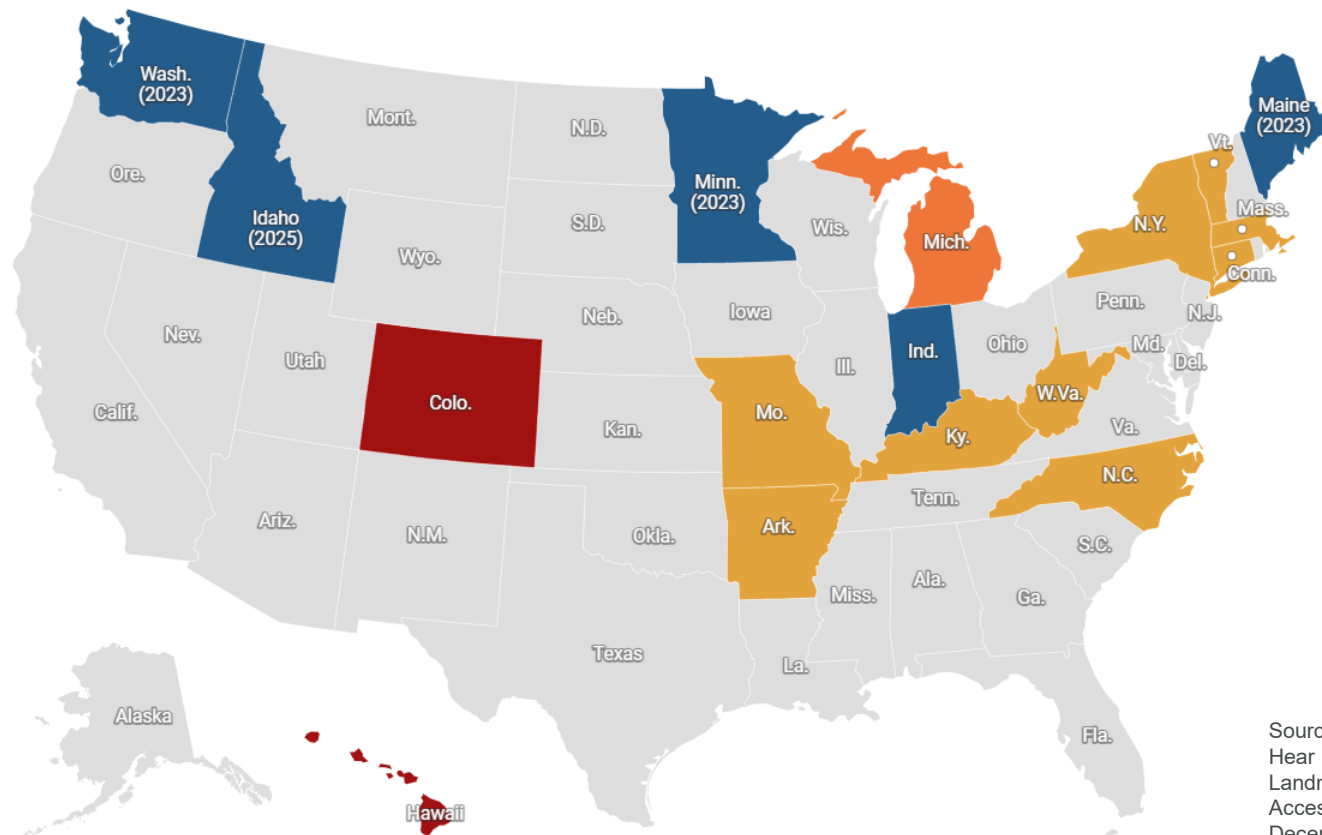
Source: "Supreme Court Declines to Hear PhRMA's Challenge to Arkansas' Landmark 340B Contract Pharmacy Access Law," 340breport.com, December 9, 2024.

Legislative Update

340B State Reporting Requirements

2025 State Legislation Tracker: 340B Provider Reporting Bills and Laws

 Provider reporting law passed  Bill introduced  Bill cleared first legislative chamber  Bill with state governor



Source: "Supreme Court Declines to Hear PhRMA's Challenge to Arkansas' Landmark 340B Contract Pharmacy Access Law," 340breport.com, December 9, 2024.

Legislative Update

Changing Pricing Dynamics

Covered entities need to prepare for the proposed changes & implications of the Inflation Reduction Act (IRA).

Drug Price Negotiation Program

- Drug Selections – Only Part D drugs for 2026 & 2027
- Maximum Fair Price (MFP)
- Litigation

Medicare Part B & Part D Inflation Rebates

- Manufacturers are required to pay a rebate on a unit of a drug paid under Part B or D where price of the drug increases faster than inflation.

Medicare Part D Redesign

- Out-of-pocket threshold, coverage gap, insulin, vaccines

Medicare Part B Reimbursement Changes

- Payment rate for biosimilars & add-on payments

Important Dates

January 1, 2026

- Drug negotiations take effect – 10 Part D drugs

January 1, 2028

- Part B drugs to be included in negotiations

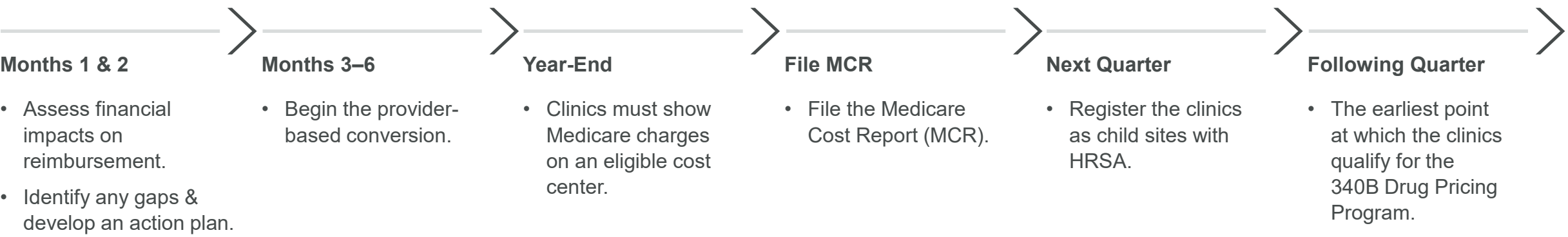
340B Program Strategies



Outline

Provider-Based & 340B Timeline

The following timeline outlines converting non-eligible departments & completing child site registration for the 340B Drug Pricing Program. Process may take **18–24** months.



Who Needs to Be Involved?

Key Departments for Success: Leadership, Revenue Cycle, Finance, HR, Marketing, Compliance, Legal, Facilities, Patient Care

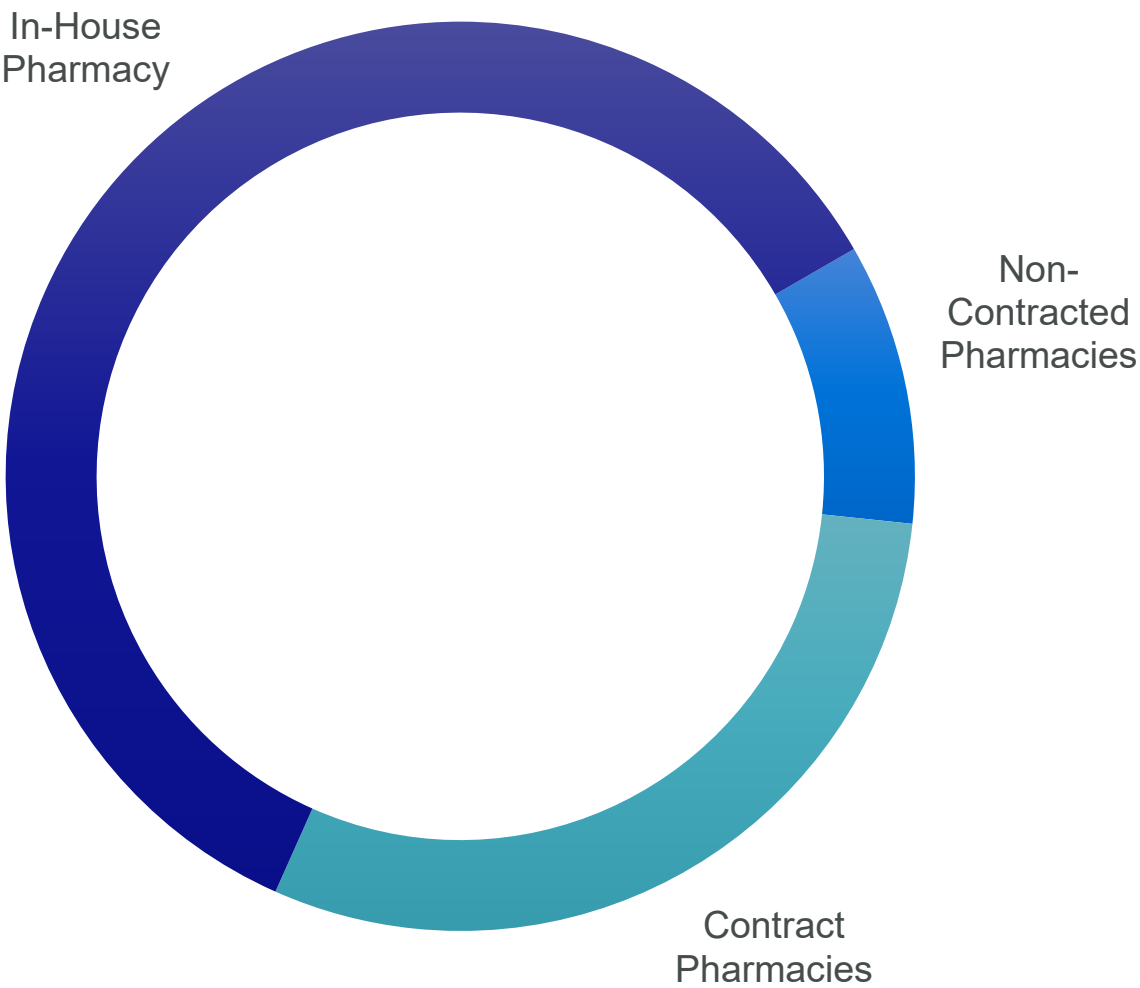
Key Performance Indicator

Capture Rate

Capture rate may be the most important performance indicator for your program & in-house pharmacies. Closely monitoring this metric is important to support patient care & access to medications.

Organizations
should strive for a
capture rate over

60%



Contract Pharmacy

Addressing Manufacturer Policies



ESP Kalderos
Rebate model



Direct
Replenishment



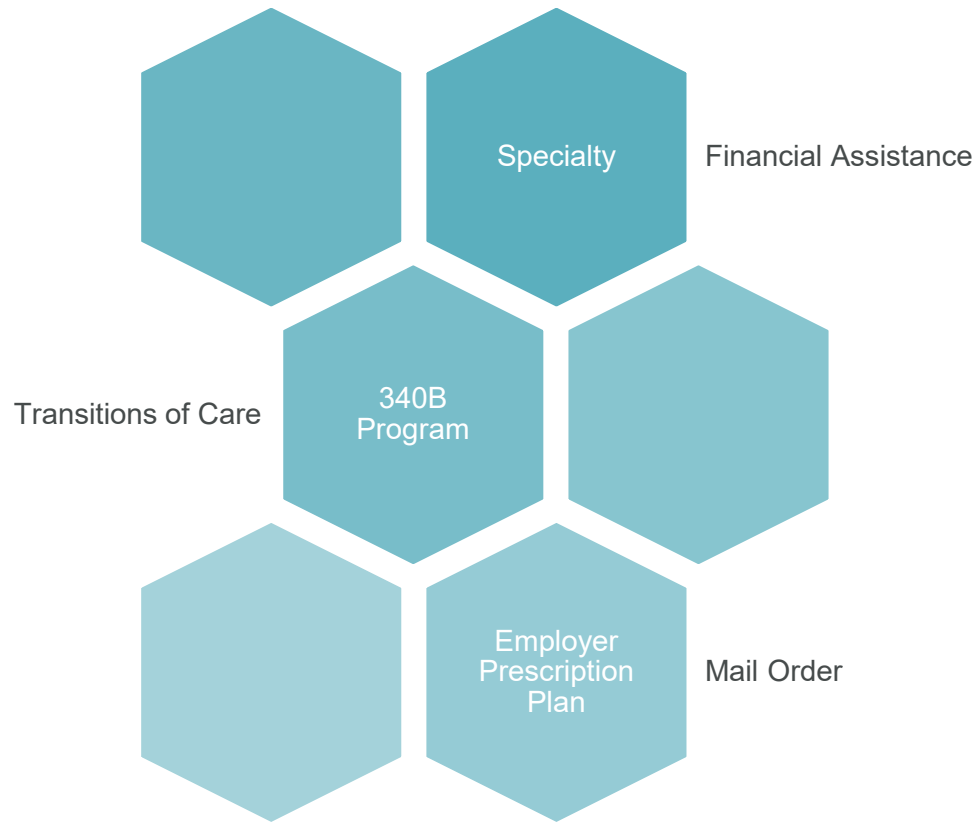
Entity-Owned
Pharmacy

Options available to covered entities to minimize impact of contract pharmacy restrictions

Community Pharmacy

The Power of an In-House Pharmacy

In today's evolving healthcare landscape, the advantages of in-house pharmacies are becoming more important than ever.



Why consider a pharmacy for your organization?

- High-quality patient care
- Access to medications
- Escalating administrative & dispensing fees
- Restrictive manufacturer policies for contract pharmacies
- Additional revenue stream

Enhanced Community Care Models

Integration of Pharmacy Services

Integrating a clinical pharmacist into the care team with 340B knowledge is an often-overlooked component for covered entities looking to improve outcomes & place patients at the front of every decision.



Components

- Pharmacist-Led Services
- Collaborative Practice Agreements
- Referral Arrangements
- Documentation



Considerations

- Comprehensive Tracking Mechanism
- Pharmacist as a Qualifying Provider
- Pharmacist Embedded in a Qualifying Location
 - Payor Requirements/Telehealth
- Meeting the Patient Definition
- Consistent Billing Practices for Services Across All Payor Types



Risk Areas

- Patient Definition
- Inadequate Documentation
- Poor Tracking/Coordination of Components
- Policies & Procedures
- Differences in Billing Practices by Payor
- Communication Gaps Between Providers, Patients, & Pharmacists

Market Trends



Key Issues Today

Financial Sustainability

43%

Rank economic uncertainty as one of their top three concerns.

33%

Missed more than half of their strategic objectives.

>80%

Rank high labor & non-labor costs among their biggest challenges to financial sustainability.

44%

Are concerned with change fatigue within their organization.

Source: "Mindsets 2025 Healthcare Executive Leadership Report," Forvis Mazars.



Looking Forward

Other Increasing Pressures on Margins

Inflation

“Prescription drug spending growth projected to increase again in 2025 ... key drivers specialty medications, GLP-1s, innovations in chronic care medications, & increasing use of behavioral health services.” – Health Research Institute

“The average effective U.S. tariff rates ... are the highest since 1909 ... raises consumer prices by 2.3% all told in the short run.” – The Budget Lab at Yale, April 2, 2025

Funding Cuts

“\$880 billion in spending cuts over the next 10 years proposed by House Republicans feared to likely have an impact on Medicaid funding.” – Newsweek, February 12, 2025

“Congress is considering several proposals that would impose additional Medicare site-neutral payment reductions for services provided in hospital outpatient departments (HOPDs).” – AHA, May 8, 2025

340B

“Drug companies pushing back on 340B drug pricing putting an administrative burden on providers to file for rebates.” – HFMA, February 5, 2025

“Medical bills removed from credit reports by the Consumer Financial Protection Bureau.” – Consumer Financial Protection Bureau Final Rule, January 7, 2025

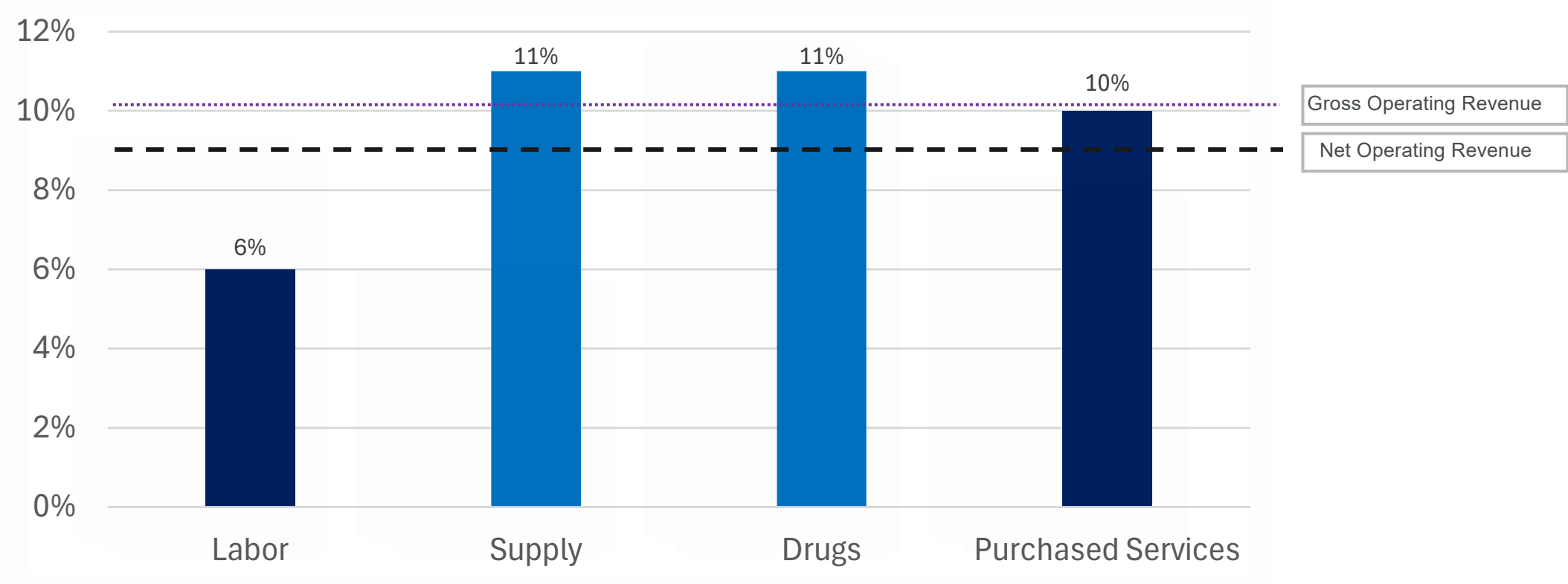
Additional Regulatory Requirements

“Executive order requiring ‘radical transparency’ in pricing to be met in 90 days.” – White House Executive Order, February 25, 2025

“Transforming Episode Accountability Model (TEAM) can reward some hospitals but expected to require paybacks if cost & quality goals not met.” – CMS, August 1, 2024

Financial Trends

Year-Over-Year* Expense Increases



Source: "National Hospital Flash Report: March 2025 Data," kaufmanhall.com, May 7, 2025.

2025 Commodity Price Effects of Tariffs

Through 5/23/25

Name	Short-Run	Long-Run
Leather products	39.7	17.8
Computer, electronic and optical	31.3	10.9
Wearing apparel	31.1	14.6
Metals nec	30.5	18.5
Electrical equipment	24.7	12.4
Crops nec	23.2	12.0
Textiles	18.5	10.2
Transport equipment nec	16.8	8.9
Mineral products nec	16.7	8.2
Machinery and equipment nec	16.3	8.9
Motor vehicles and parts	15.6	11.9
Natural gas	14.1	4.3
Basic pharmaceutical products	13.9	10.3
Ferrous metals	12.9	9.7
Rubber and plastic products	12.9	7.6
Metal products	12.5	7.4
Manufactures nec	9.3	5.7
Vegetables, fruit, nuts	7.7	3.7
Chemical products	6.2	4.1
Wood products	6.0	3.8
Fishing	6.0	3.5
Beverages and tobacco products	5.7	4.7
Oil	4.9	1.3
Vegetable oils and fats	4.9	2.7
Paper products, publishing	4.3	3.3
Food products nec	4.2	3.3
Processed rice	3.2	10.2
Cereal grains nec	2.0	1.7

Source: The Budget Lab at Yale 5/23/25

- Changing tariffs with China has reduced the estimated impact since April, but the EU reciprocal tariffs have had a large impact

Mitigation Strategies

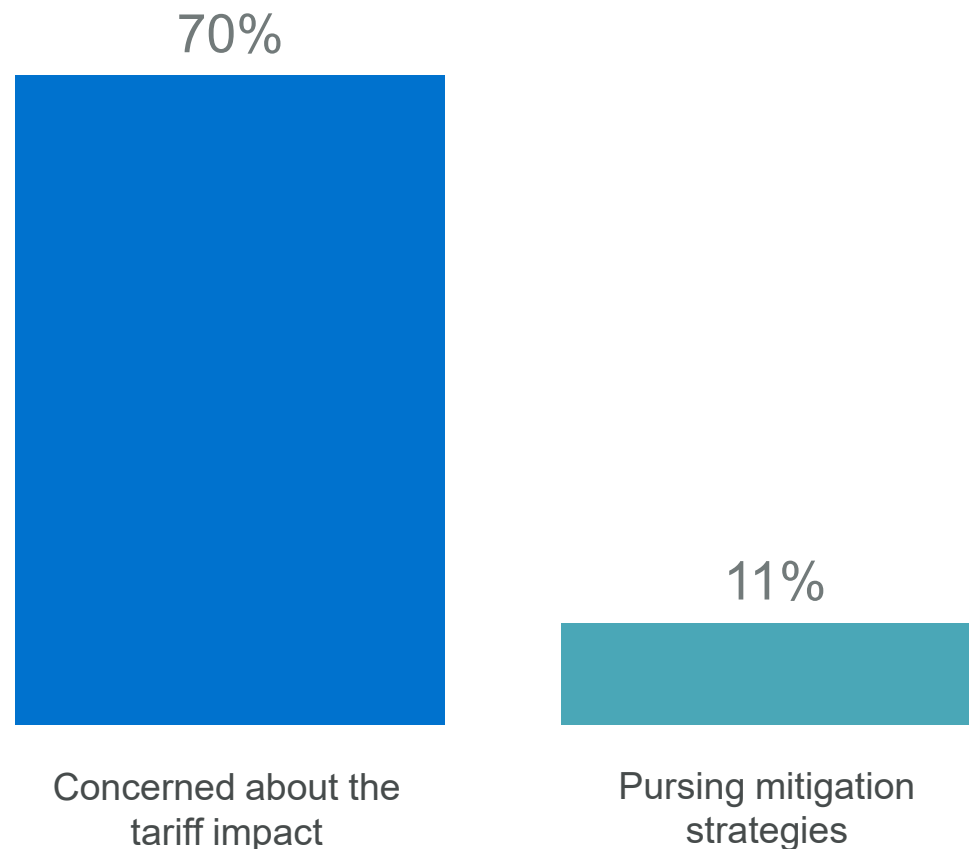


Tariffs – What Are Organizations Doing?

More than half of surveyed healthcare executives are planning steps such as expanding their supplier base, stockpiling inventory & materials, & delaying equipment purchases.

More than **70%** are concerned or very concerned about the tariff impact

Source: hfma.org, Hospitals grapple with uncertain tariff fallout as pharmaceutical levy looms



Mitigation Strategies

How are organizations dealing with this unprecedented level of uncertainty?

Suppliers

- Identify mitigation strategies (Abbott)
- Redirect production (Zimmer)
- Build up inventory
- Pass along increases
- Negotiate with supplier
- Expand efficiency programs & layoffs (Cardinal)

Hospitals & Health Systems

- Collaborate with partners
- Identify exposure by category
- Identify alternative suppliers in at-risk categories
- Increase safety stock
- Document increasing costs
- Increase prices & payor discussions
- Define expectations with suppliers
- Negotiate to reduce exposure
- Expand efficiency efforts

Mitigation Strategy: Supplier Renegotiations

- Review contracts for price protections
- Negotiate performance clauses to mitigate disruption
- Align incentives to reduce costs

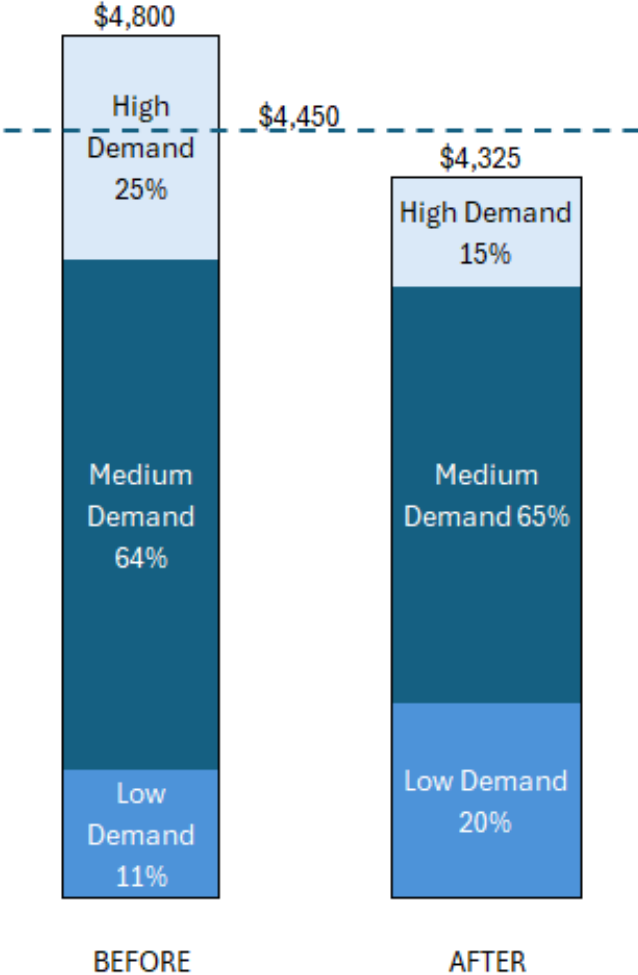


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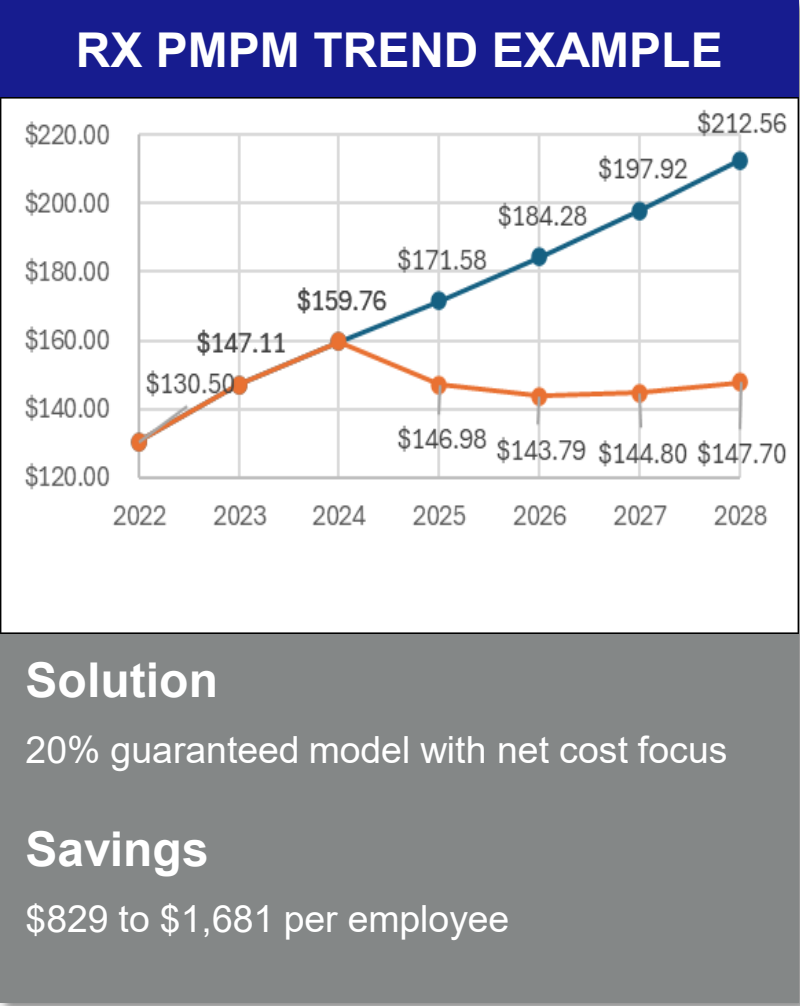
Mitigation Strategy: Efficiency Programs

A Broken System

- High-compliance, brand-centric formularies drive up costs & limit case management oversight beneficial for both the employee & the plan.
 - “How PBMs are Driving Up Prescription Drug Costs,” New York Times, June 21, 2024.
 - “Big PBMs Increase Drug Costs, FTC Says,” Wall Street Journal, July 9, 2024.
- Conflicts of interest & lack of transparency drive decisions that increases costs & put organizations at risk of failing to fulfill their fiduciary responsibilities.
 - PBM Transparency Act, March 2023, S.127.
 - Modernizing & Ensuring PBM Accountability Act, September 2023, S.2973.
 - Patients Before Monopolies Act, December 2024, S.5503.

A Flood of New Solutions

- Some new entrants offer further transparency & lowest net cost formularies.
- Clinical management resources educate patients & drive cost-effective decisions.
- Legacy players, often with conflicts of interest, slow to accept new solutions.



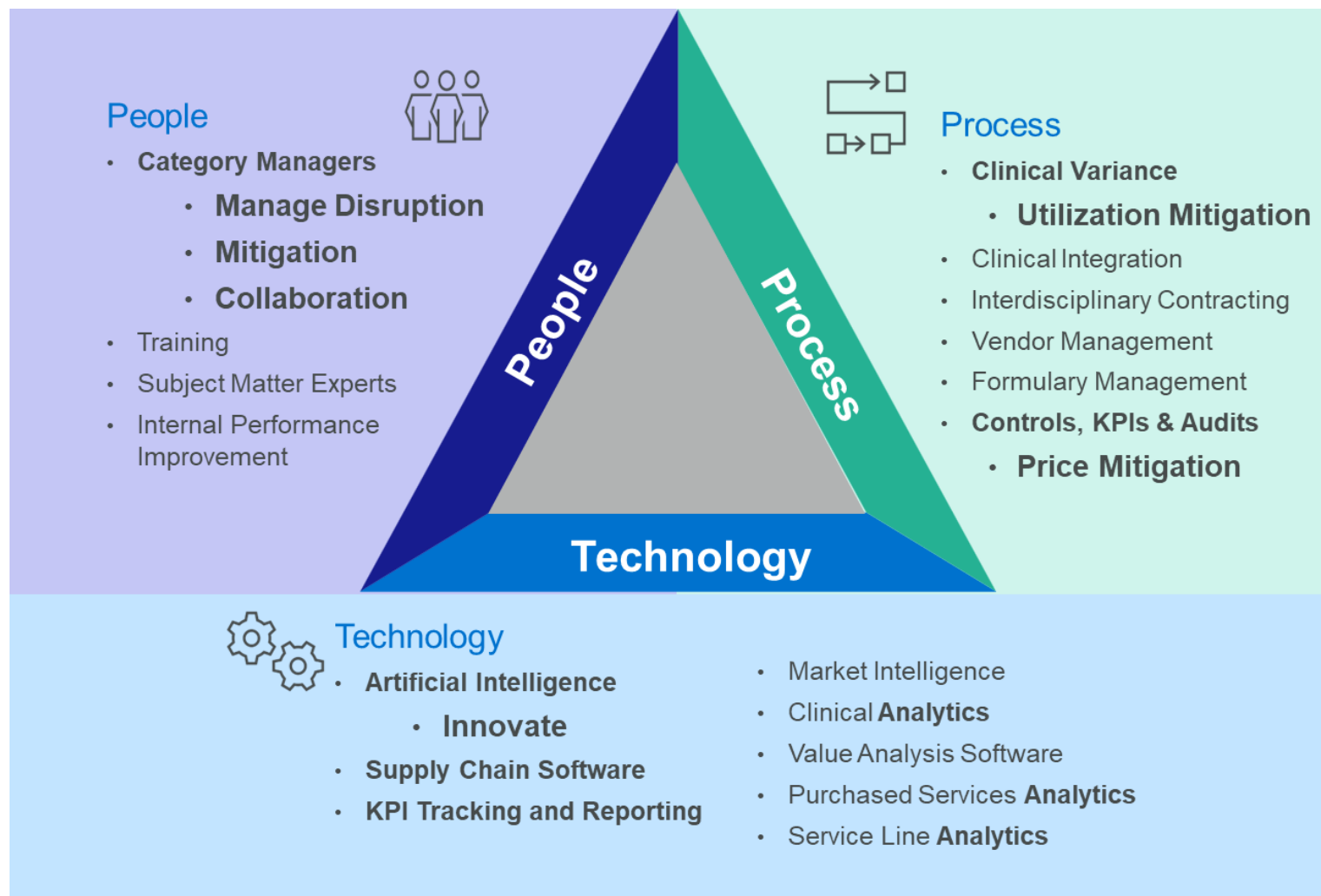
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Mitigation Strategies: Technology

Organizations & expanding their effort to evaluate new technology applications to enable efficiencies & redefine cost structures

- Virtual Patient Intake
- Automation to Efficiently Deploy Resources
- Clinical Evidence
- Documentation Gaps
- Coding
- Denials Management
- Billing
- Care Management QA
- Call Centers
- Scheduling
- Predictive Analytics
- Inventory Management
- Drug Shortages
- Clinical Standardization
- Sensors & Scanners
- Contract Management
- Data Accuracy

Mitigation Strategies- Summary



Key Takeaways



Supplies & pharmaceuticals—key healthcare costs—are experiencing high inflationary pressures, & with tariffs they could be unprecedented.



Healthcare organizations will need new strategies to manage near-term challenges & continued upward pressure of costs compared to reimbursement in the U.S. healthcare market.



Some categories & challenges will be more difficult to manage than others, but mitigating or reversing cost trends in enough categories is critical to maintaining the margins needed for financial sustainability.

Thank you!



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