

THE LEADERSHIP INSTITUTE

Kimberly C. Babbin, PharmD

Kbabbin@kcbadvisorygroup.com

330-322-5958

What We Will Cover

- High Cost of Prescription Drugs
- Specialty Pharmacy and its importance to Health Systems
- 340B Updates
- Retail Pharmacy's Outlook
- Disruptor/Innovator Impact on Health Systems

High Cost of Prescription Drugs



Ozempic/Wegovy had a 3% price increase in 2025

It's all about the GLP1s

- 10M monthly users of GLP1s
- Semaglutide (Ozempic/Wegovy) and Tirzepatide (Mounjaro/Zepbound) dominate the market

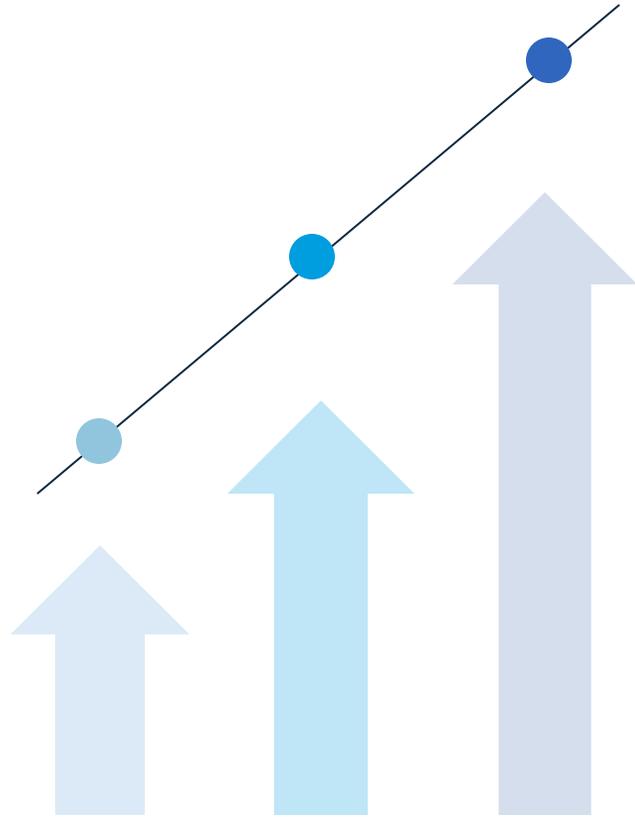
47% of patients with diabetes discontinue therapy in less than one year

65% of patients with obesity discontinue therapy in less than one year

60% of prescriptions filled today are for weight loss rather than diabetes

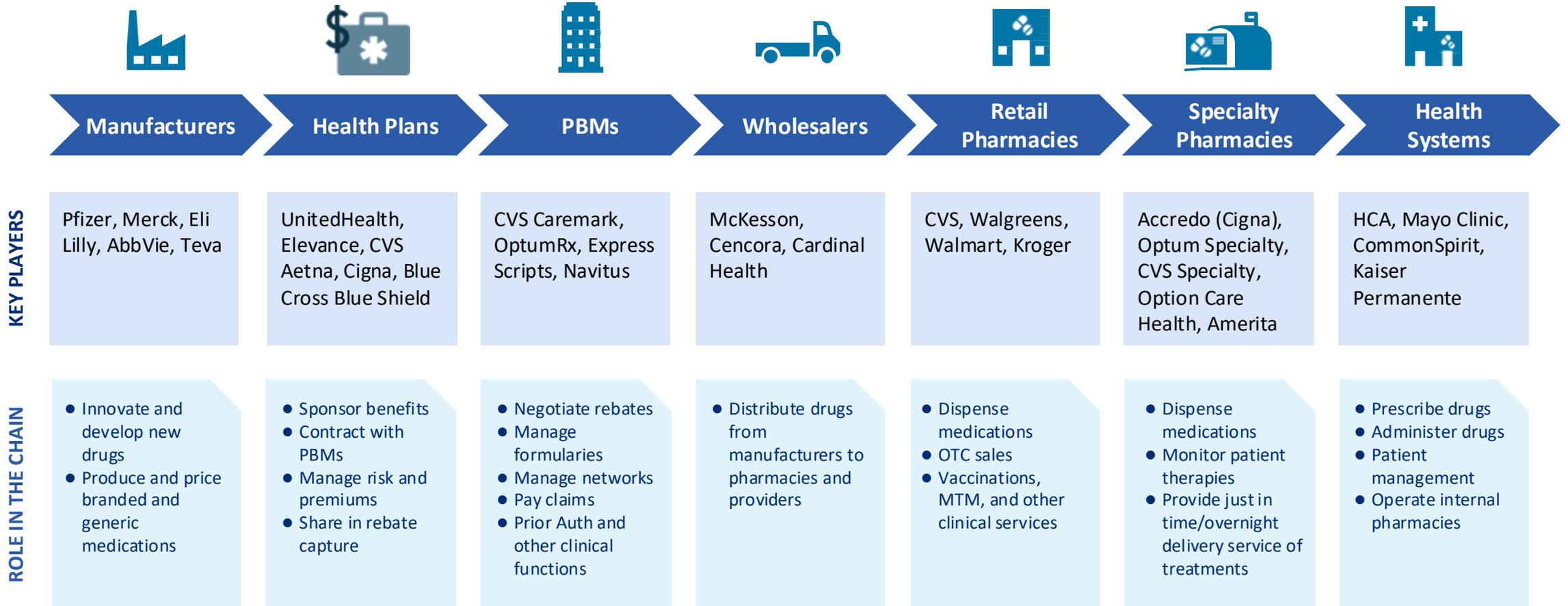
19% of the 50–64 age group have tried GLP1s

There are other market dynamics leading to increased drug costs in the US



- 2025 has seen sharp price increases-larger increases and more drugs than in the last five years. Biktarvy's price increase was **5%**, followed by Ozempic
- High cost drugs are becoming first line therapies leading to increased treatment costs for initial treatment protocols
- **\$250B** drugs are current imported into the US; **73%** are from Ireland, Germany and Switzerland
- Drug shortages are now common, **265** drugs in June 2025, leading to escalating pricing
- Specialty drugs are now **40%** of spend in the US leading to higher price per patient cost

Roles in the Value Chain: Each player serves a distinct role in acquiring, financing, and dispensing medicine today



Source: Oliver Wyman

FDA Pipeline has a strong specialty emphasis, with over 60% of total drug costs by 2030



The three types of specialty drugs: specialty lite, specialty, cell and gene therapy



There were **\$70B** of drugs dispensed in 2024
40% of specialty costs will be oncology in 2026



**Biggest categories of growth:
Neurology/Autoimmune/CGT**

- 340B in some health systems plays a significant role
- Site of care is being challenged as costs are increasing
- Oncology will continue its spend trajectory

Specialty Pharmacy Represents Significant Opportunities for Health Systems

Margin opportunities exist for health systems that dispense specialty drugs as some of these drugs are **lifetime therapies** and others are **infusion only drugs**

Examples

1

Cell and Gene Therapy is projected to have **50-75** new therapies by 2030, with categories getting more than one therapy

2

Health systems with specialty pharmacies are better able to tie **acute care** to **outpatient care** for complex patients

340B in the Headlines

Daily News

304B IN THE HEADLINES

FOLLOW THE 340B DOLLAR:

“Senator Cassidy Exposes How CVS Health and Walgreens Profit as 340B Contract Pharmacies”

TUESDAY, MAY 06, 2025

Daily News

304B IN THE HEADLINES

AHA REPORT:

“Hospitals are complying with 340B rules, but drug companies are not”

Jun 16, 2025 - 03:13 PM

Daily News

304B IN THE HEADLINES

340B REBATE MODELS

“HRSA has recently received inquiries from manufacturers related to different proposed rebate models for the 340B Program. HRSA continues to be in the process of reviewing these varied inquiries, which would significantly and unilaterally alter the administration of the Program.”

Daily News

304B IN THE HEADLINES

340B REBATE MODELS

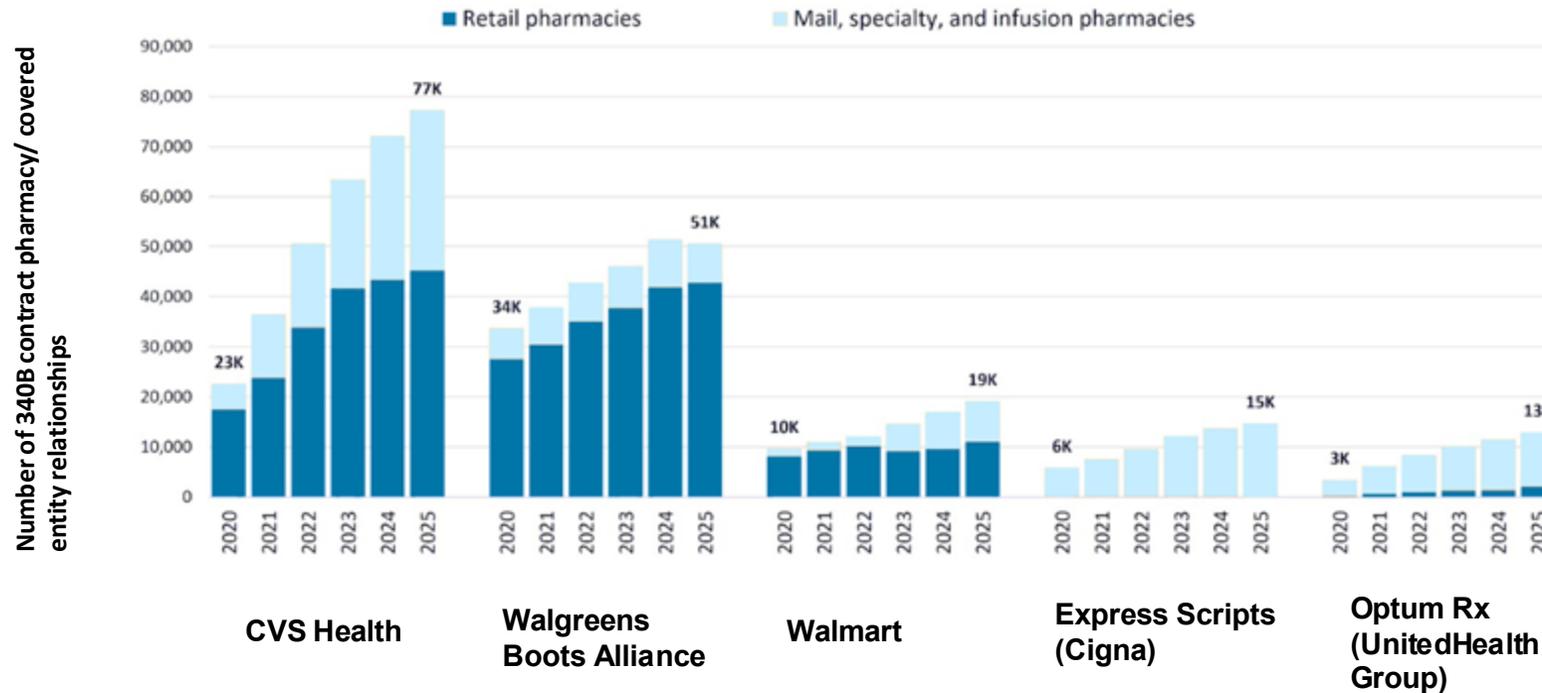
Senate Health, Education, Labor, and Pensions Committee Chairman Bill Cassidy, M.D., R-La., today released a report detailing findings from an investigation into how covered entities use and generate revenue from the 340B Drug Pricing Program. As part of his investigation, Cassidy requested information from hospitals, Federally Qualified Health Centers, contract pharmacies and drug manufacturers.

“the investigation underscores that there are transparency and oversight concerns that prevent 340B discounts from translating to better access or lower costs for patients,” and the report outlines potential reforms needed to improve the program to better serve patients.

-BILL CASSIDY

340B Contract Pharmacies Growth Has Exploded Leading to a Tangled Relationship Between Health Systems and Retailers

Number of 340B Contract Pharmacy Relationships, by Company, 2020 to 2025



Mail Service, Specialty Pharmacy and Infusion from the US' largest three PBMs are now responsible for **25%** of the contract pharmacy spend in 2025

Source: Drug Channels Institute analysis of Contract Pharmacy Daily Report, Office of Pharmacy Affairs, Health Resources & Services Administration, as of June 1, 2025. Company totals are computed from combined banners (store and business names) and subsidiaries in the database. Figures for are of June or July of each calendar year. Figures show total number of contractual relationships between 340B covered entities (CEs) and contract pharmacy (CP) locations. As of June 1, 2025, there were 229,531 total CP/CE contractual relationships. The five companies shown above operated 20,494 unique 340B contract pharmacy locations for 7,410 340B covered entities. These companies accounted for 174,735 (76.1%) of the total CP/CE contractual relationships.

Published on Drug Channels (www.DrugChannels.net) on June 10, 2025.

Evolving health system dynamic: 340B as a growing source of value

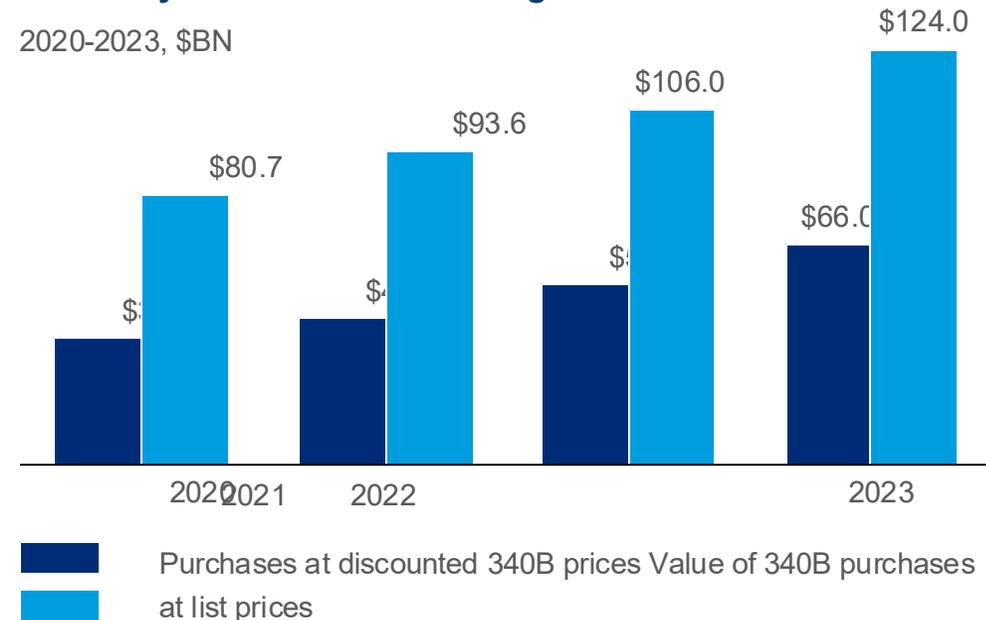
340B was created in 1992 through Veterans Health Care Act to enable healthcare providers serving large numbers of low-income patients to purchase drugs at reduced prices

- The primary goal was to support safety-net providers to invest in underserved populations
- To qualify, a provider must be non-profit and meet certain criteria around provision of indigent care; Disproportionate Share Hospitals (DSH) are the most common 340B facilities
- A qualifying hospital can purchase drugs at 340B prices for use with any patient, regardless of that patient's income
- 340B purchases were \$66B in 2023, representing a nearly \$58B discount to list prices

Source: Oliver Wyman

Health System 340B Purchasing

2020-2023, \$BN



Source: Fein, Adam J., The 2024 Economic Report on U.S. Pharmacies and Pharmacy Benefit Managers, Drug Channels Institute, 2024., Oliver Wyman, OLA

Originally designed to support safety net hospitals, the 340b program now plays a broader role in health system economics

340B Health System Economics, 2023

Hospital type	2023 Purchases at 340B prices	Share of total 2023 purchases	# Hospitals participating	# 340B is margin Hyperdrive
Disprop. Share	\$51.9B	78.3%	1,600	800
Children's	\$2.1B	3.1%	50	3
Rural Ref. Center	\$1.5B	2.2%	100	10
Critical Access	\$1.0B	1.4%	600	360
Sole Community	\$.6B	0.8%	200	40
Other	\$9.2B	14.2%	50	3
Total	\$66.3B	100%	2,600	~1,216

Source: MedPAC July 2024 Data Book, Fein, Adam J., The 2024 Economic Report on U.S. Pharmacies and Pharmacy Benefit Managers, Drug Channels Institute, 2024 Oliver Wyman OLA,

Health Systems are scaling pharmacy strategies to unlock Drug Margin, Care Control, and Enterprise Value—distinct archetypes are emerging



CREATED CIVICA RX TO ADDRESS DRUG PRICES AND SHORTAGES

- A health system led generic drug company that pools demand, directly contracts or manufactures generics, and keeps prices predictable and supply reliable for over 1,500 U.S. hospitals
- Launched in 2018 to address chronic generic drug shortages and volatile pricing by ensuring stable, affordable supplies of essential medicines for hospital



BUILT AN INTEGRATED PHARMACY PLATFORM TO IMPROVE FINANCIAL HEALTH

- Built a vertically integrated pharmacy business (retail, specialty, mail-order, PBM), leveraged 340B program savings, and launched patient-centric services like “Meds-to-Beds.”
- Developed an internal PBM, ClearScript, to keep more pharmacy revenue within the system
- Pharmacy became the largest positive-margin division, helping stabilize system finances, soften ongoing hospital losses, and support Fairview through prolonged financial challenges

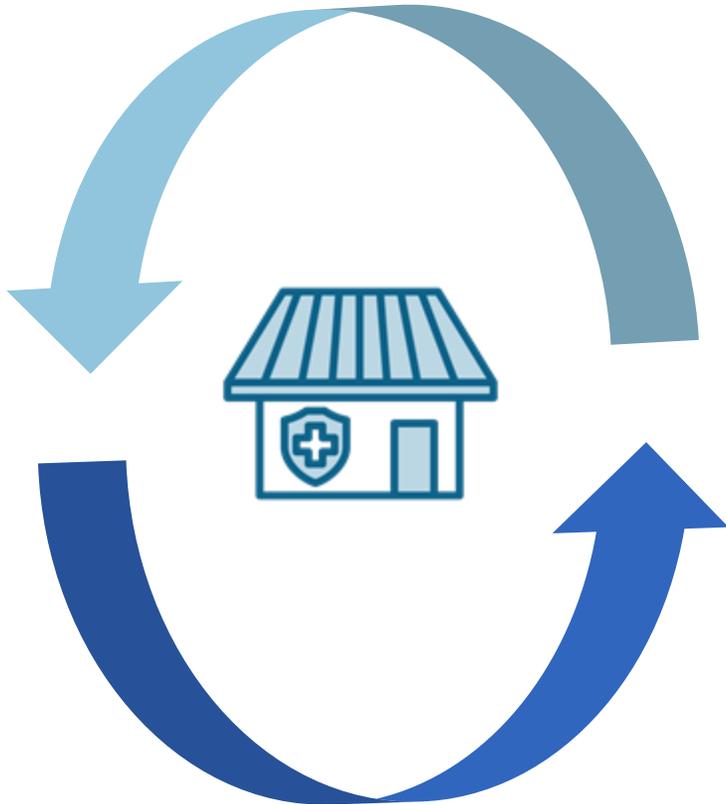


BUILT AN INTEGRATED PHARMACY PLATFORM TO IMPROVE FINANCIAL HEALTH

- Erected automated medication lockers at supermarkets and other locations enhance access and convenience, 6 WinCo Foods stores have installed the devices
- The lockers work like an Amazon locker:
 - o After St. Luke's fills the Rx, patients receive a message
 - o Patients scan the barcode, confirm identity and pick up the meds
 - o Can stock room-temperature and refrigerated medications

Source: Oliver Wyman

The retail pharmacy industry is in its largest state of flux in recent history



- CVS replaces all of its senior leadership team in the last year, renews focus on the profitable PBM segment of the business
- Rite Aid entered bankruptcy again after a brief reprieve
- Walgreens was purchased by Sycamore Partners in March 2025, and hired a PBM executive to lead its overall business
- All retailers are shrinking footprints, but also shrinking store footprints, and going to anti-theft shopping approach
- Significant inroads are made by the non-traditional retail companies like Amazon, Wal-Mart, MC Cost Plus Drugs, Hims/Hers

The retail industry instability leads Health Systems to have a unique opportunity to be a retail leader

Retail pharmacy deserts are increasing, health systems are looking at creative ways to manage retail patients

What We are Seeing

1

Kiosks, regional hub fill centers, delivery to patients, “**micro**” pharmacies are popping up to meet needs in specific locations

2

Successful health systems use an “**own use**” policy for the employees and dependents

3

Patient experience is important—speed to fill, counseling, copay assistance, hours of operation all play a role in success

4

ROI of health system owned pharmacies are dependent upon geographic density, physician group support, embedded pharmacists, and 340b options

Innovators are impacting the pharmacy delivery system at all levels

- Explosion of innovators supported by GLP1s compounding (will soon go away)
- Innovators are taking away the *“easy prescriptions”* leaving traditional retail to manage complex patients and drug regimens
- Companies like **Hims/Hers** are nimble, quick to change, modify their business plans. **Hims** stock dropped **35%** on **July 4th**, due to a change in partnership with **Novo** on **generic GLP1s**.
- Health systems are assessing the innovators to accelerate the health system pharmacy business plan



Health systems can also play a role in innovator pharmacy programs to generate revenue

- **Compounding pharmacies** are increasingly important in the pharmacy landscape, and have had regulatory and licensing challenge in the past
- **Radiopharmaceuticals** is a largely untapped market soon to become more important with some of the new **CGT treatments**
- Mail service options as part of retail strategies can allow for convenience for patients and pharmacy downtime management
- Health systems are evaluating whether they should become a **PBM** for small local employers

A glimpse into the payer pharmacy landscape means a focus on drug costs, coverage and appropriate use



Thank you!

About KCB Advisory Group

KCB Advisory Group was formed in 2019 after Kim Babbin, PharmD retired as Chief Pharmacy Officer at Deloitte Consulting LLP. In the months after her retirement, many clients asked for ongoing consulting services, so the company was formed. Since 2019, KCB Advisory Group has completed engagements focused on many areas of pharmacy, including retail pharmacy, health system pharmacy, health plan pharmacy, innovator company pharmacy, government programs, and both mail and specialty pharmacy.

Consulting engagements have spanned a wide array of topics, including retail chain pharmacy optimization and growth, enterprise wide pharmacy strategy, specialty pharmacy strategy and innovation, pharmacy, acquisitions of innovator companies, 340B program optimization and auditing, health plan enterprise cost reduction programs, specialty pharmacy optimization, specialty pharmacy site of care strategy, and retail pharmacy/specialty pharmacy growth opportunities.

As a team, we are focused on delivering high quality, reasonable solutions that are analytically supported and fact based. We are well networked with our consulting colleagues, and often can share ideas and resources with other firms confidentially. For example, Kim Babbin acts as a Senior Advisor (partner level position) at Oliver Wyman, providing subject matter expertise to the firm on topics related to pharmacy.



Kimberly Babbin, PharmD

Senior Executive in Pharmacy
Strategy | 30+ Years Experience

Expertise Areas

- Strategy for health systems, health plans, retail pharmacies, specialty, LTC, and innovators
- 340B optimization; reporting, audits, compliance, contract pharmacy strategy, own use, leakage
- Implementation of pharmacy strategies across the value chain with providers, payers, innovators

Career Highlights

- Led diligence & post-merger integration for acute care, outpatient, infusion, PBM & specialty
- Senior roles at: [Oliver Wyman](#) (Senior Advisor, Current) [Deloitte](#) (Chief Pharmacy Officer), [ConsumerMed](#) (CEO), [Express Scripts](#) (Vice President), [Towers Perrin](#) (Pharmacy Practice Lead)
- Redesigned a large health system's pharmacy program post-acquisition — including purchasing, clinical, operations, and contracting
- Created a 340B strategy: pull-through for physician specialties, improved reporting, compliance, audits, new contract pharmacies
- Supported contract negotiations for a long-term care pharmacy company's partnerships
- Delivered market analysis for dispensing systems — including overlap study, population density, and national product pairing strategies
- Led pre/post-merger planning across all areas of health system pharmacy: retail, mail, infusion, PBM, specialty, acute, etc.

Education

- B.S. in [Pharmacy](#), University of Georgia. [Doctor of Pharmacy](#), University of Georgia/Medical College of Georgia joint degree program
- Specialty: [Neonatal Medicine](#)