

# The Rise of Consumerism, GLP-1 Drugs, and Compounding Pharmacies in U.S. Healthcare

*Conversations at the Bourne Partners 12th Annual Global Healthcare CEO Summit*

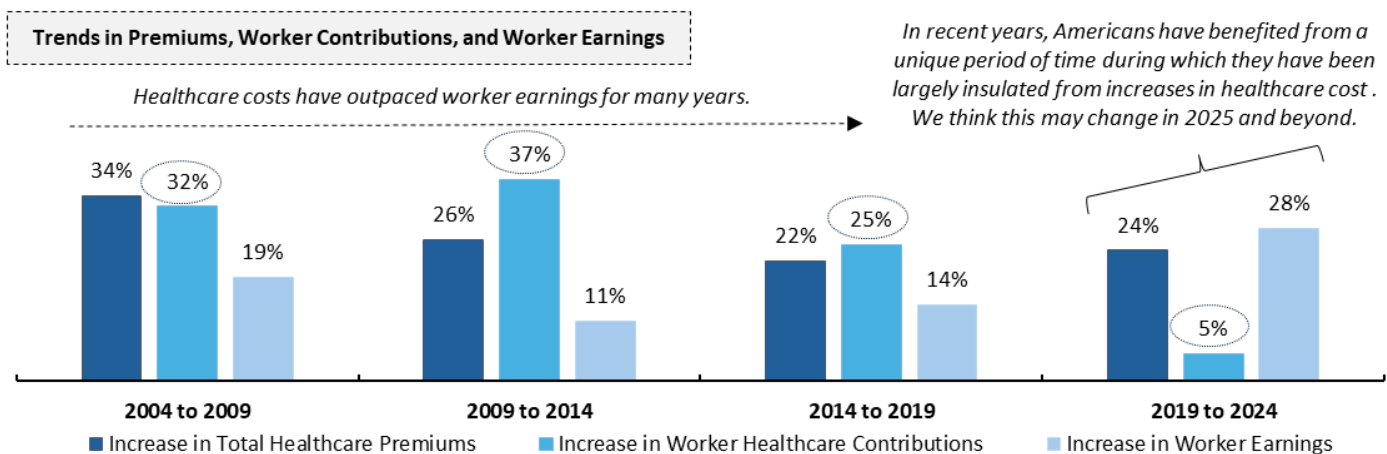
Last week, we hosted the Bourne Partners 12th Annual Global Healthcare CEO Summit in Charlotte, North Carolina, which featured a wide variety of panel discussions on key healthcare topics. The Summit also included informal meetings with industry executives allowing for a greater shared visibility around trends and experiences.

**One panel discussion, featuring executives from Hims & Hers Health and Companion Health, focused on how healthcare organizations can better engage with patients as “consumers” of health and wellness.** This included the personalization of care and the use of compounding pharmacies. Looking ahead, we expect the compounding pharmacy space will play an increasingly important role in U.S. healthcare due to the need to optimize the use of complex medications, such as GLP-1 drugs, and to personalize the patient’s healthcare journey. For more discussion, refer to our deep-dive research on the compounding pharmacy space ([Link](#); September 12).

## 1) A Focus on Healthcare Consumerism

**One of the key points of conversation at the Bourne Partners CEO Summit was how healthcare organizations can rethink how they engage with patients** as “active consumers” of health and wellness -- just like how organizations engage with consumers in other industries, such as banking, airlines, and restaurants. This will require a culture change for many healthcare organizations who are accustomed to considering patients only in the context of the “four walls of the clinic.” This will also require an elevated focus on personalized care and a potentially expanded use of compounding.

**Figure 1: Americans Have Been Temporarily Shielded from Healthcare Costs, But This May Change (Bourne Partners Analysis)**

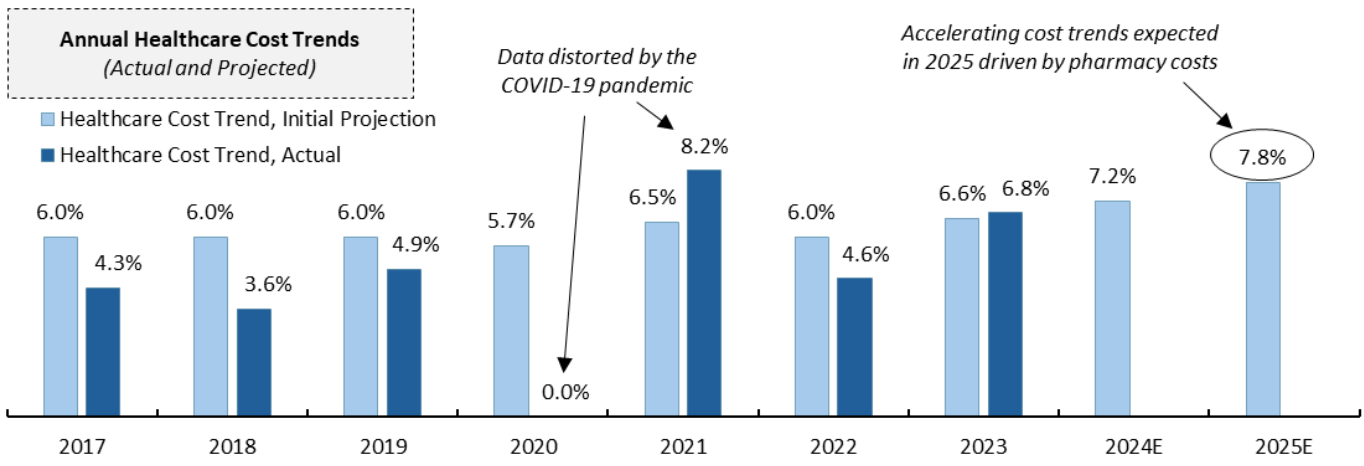


Source: Data aggregated from the Kaiser Family Foundation (October 2024)

Looking ahead, we expect Americans will likely see their healthcare costs start to outpace their earnings in the coming years. From 2019 to 2024, Americans enjoyed an environment with low unemployment rates and employers aggressively competing for labor. This resulted in strong wage growth and employers absorbing almost all of the increases in the medical costs of their workers with very limited cost sharing. Accordingly, during this period, most Americans felt limited

impact from rising healthcare costs. However, we view this period as an anomaly in a longer trend of Americans bearing a greater portion of the cost of their medical spending through higher deductibles and co-pays. In fact, a recent wave of surveys from the *Business Group on Health*, *Mercer*, and the *National Alliance of Healthcare Purchaser Coalitions*, among others, suggests that healthcare costs are set to meaningfully reaccelerate in 2025 and beyond, and we expect employers to begin to return to the historical norm of passing healthcare costs through to their employees in the form of higher deductibles and co-pays (and through the use of narrow networks). Refer to Figures 1, 2, and 3.

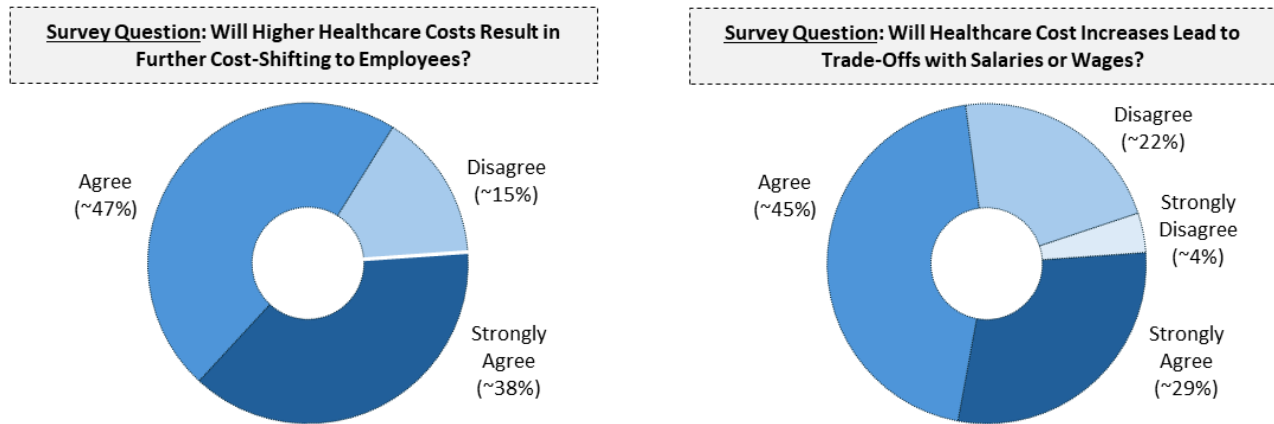
**Figure 2: Many Surveys Point to Accelerating Medical Cost Trends in 2025 (Employer Sponsored Health Plans)**



Source: *Business Group on Health Annual Survey (August 2024)*

Specifically, **employers expect spending on healthcare benefits to materially accelerate in 2025**, according to a number of surveys in recent months. One survey by the *Business Group on Health* estimates a medical cost trend of almost 8% next year. Much of this is expected to be driven by the cost of pharmaceuticals, particularly GLP-1 drugs. In our opinion, increases in healthcare costs of this magnitude are unsustainable for many employers and will ultimately need to be shared directly with employees. In fact, a large percentage of employers (74%) report that increasing healthcare costs will necessarily lead to trade-offs with wage increases and more cost-shifting to employees in the form of higher deductibles and co-pays (and narrow networks). Refer to Figures 2 and 3.

**Figure 3: Employees Will Likely Start to Increasingly Bear the Impact of Their Medical Care (Survey Results)**



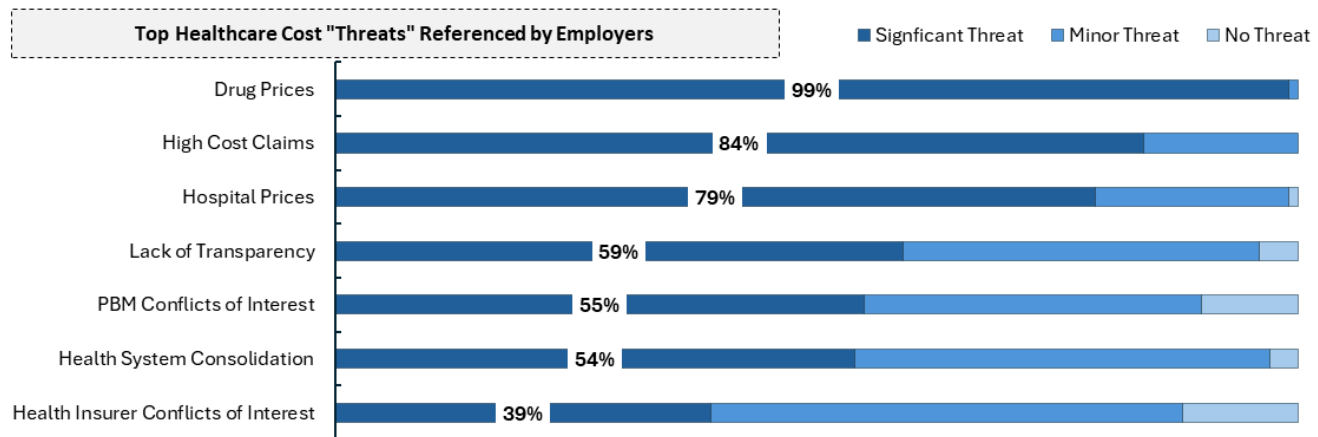
Source: *The National Alliance of Healthcare Purchaser Coalitions (Pulse of the Purchase 2024 Survey Results; October 2024)* and *Bourne Partners*

In the face of accelerating healthcare costs, **we anticipate Americans to start behaving more and more like “consumers” who are willing to “shop” for their medical care** based on price, quality and experience. Panelists at the Bourne Partners CEO Summit, such as **Companion Health**, are offering concierge primary care highly tailored to a patient’s/consumer’s personal life objectives, such as running a marathon, losing a specific amount of weight, or simply a proactive focus on holistic wellness. Another panelist at the Summit, **Hims and Hers Health**, discussed the use of artificial intelligence to better proactively understand patient behavioral patterns to optimize the use of health coaching and compounded medications. Also, with more financial skin-in-the-game, panelists at the Summit commented that Americans have generally become savvier with regards to what’s available for their health and wellness. This is resulting in an increasingly common scenario of patients proactively coming into the physician’s office with a self-diagnosis and a desire for a specific prescription or service.

## 2) Prescription Drug Costs, GLP-1 Drugs, and Compounding Pharmacies

**The use of compounding pharmacies and GLP-1 drugs were key topics at the Bourne Partners CEO Summit.** In almost every survey, prescription drug prices are, by far, the top cost concern of employers with ~99% of employers saying that drug prices are a “significant threat” to medical cost trends. Adding to the direct costs of drugs is the indirect cost of poor medication adherence. Poor medication adherence costs the U.S. healthcare system as much as \$300 billion annually in unnecessary medical and emergency department visits and hospitalizations. Currently, the direct and indirect costs of prescription drugs, in turn, are primarily being driven by the use of costly GLP-1 drugs for weight management. These drugs can be expensive at as much as \$15,000 per year per user. Most employers (56%) reported that GLP-1 drugs are impacting costs to a “very great” or “great” extent, according to the *Business Group on Health*. Refer to Figure 4.

**Figure 4: The Prices of Prescription Drugs (Including GLP-1s) Are, By Far, The Top Cost Concern of Employers**

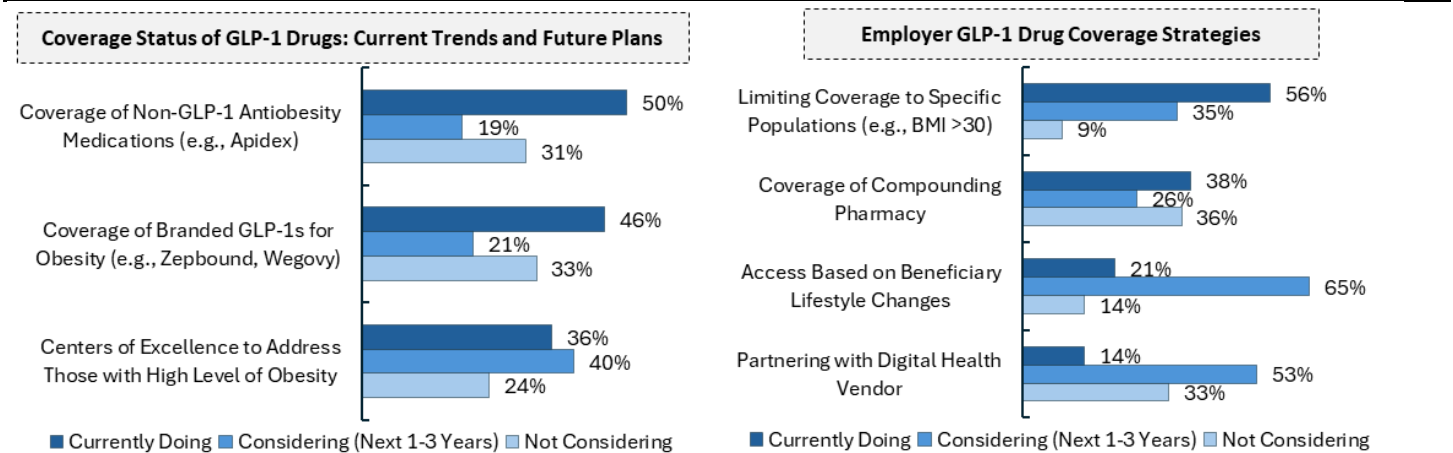


Source: *The National Alliance of Healthcare Purchaser Coalitions (Pulse of the Purchase 2024 Survey Results; October 2024)* and Bourne Partners

Looking ahead, **demand for GLP-1 drugs is not showing any sign of slowing.** A September 2024 study by the Kaiser Family Foundation concluded that 57.4 million Americans with private health coverage (under the age 65) could be eligible for GLP-1 drugs for either diabetes and/or weight management -- versus 8.2 million Americans who reported that they were currently using a GLP-1 drug. Almost half (~46%) of employers currently cover GLP-1 drugs to some degree with another ~21% contemplating coverage within the next three years. To control costs, employers are implementing various eligibility and cost/utilization management measures. This includes the use of body mass index (BMI) thresholds that must be met to qualify for GLP-1 drugs for weight loss. Other employers are limiting their exposure to excessive GLP-1 weight loss expenses by setting a lifetime cap on the amount of funds available to covered employees. And still other employers are

restricting the number of GLP-1 options and/or allow access based on certain lifestyle changes. Refer to Figure 5.

**Figure 5: Evolving Employer Coverage of GLP-1 Drugs (Survey Results)**



Source: The National Alliance of Healthcare Purchaser Coalitions (Pulse of the Purchase 2024 Survey Results; October 2024) and Bourne Partners

There was also significant discussion at the Summit on how compounding pharmacies can be used to lower direct drug costs and reduce the indirect costs of poor medication adherence. Compounded drugs are often much more affordable than branded drugs, sometimes costing as little as a third as much. Also, compounding pharmacies allow physicians to tailor drugs and treatment regimens to specific patients recognizing that “one-size does not fit all.” GLP-1s, in particular, are known to have adverse gastrointestinal (GI) side-effects. Both **Companion Health** and **Hims and Hers Health** shared how they use compounding pharmacies to manage these side-effects, by adapting the titration of the drugs and changing the timing of injections. Manufactured pens, by contrast, are only built for a certain prescribed dosing schedule which may not be appropriate for patients who have issues with nausea and constipation and/or patients who have had bariatric surgery. For instance, according to a just published white paper ([Link](#)), only 13% of **Hims and Hers Health** patients who used compounded GLP-1 drugs cancelled their treatments in the first month due to adverse side-effect, compared to 30% of patients using standard commercial protocols in a recent Blue Cross Blue Shield study.

Finally, there seemed to be consensus at the Summit that, in order to create a sustained impact, complex medications, such as GLP-1s, need to be paired with proactive health coaching to ensure that patients understand the long-term importance of nutrition, exercise, stress, and sleep. Also, digital health companies, such as **Hims and Hers Health**, use proprietary artificial intelligence software to analyze and track patient behavior to optimize digital and telephonic coaching interventions. This has led to improved outcomes and increased patient adherence.

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