

CAPITOL STREET

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Medicare '26 Drug Prices 40-80% Discounts (List)

Commercial Spillover Unlikely & Courts May Start to Rule for Industry
(Appellate/Chevron)

Relevant Companies



»» Our Take & Next Up

CMS 2026 new negotiated drug prices are better than expectations, with many representing a significant % cut from gross to be deemed a "win" for Democrats ahead of the election, but we see no spillover to commercial pricing (as initially feared) ([here](#)). It's a \$6B savings for the government based on net prices (which are not released). An overhang is lifted with the release today as court cases play out. We have said that price cuts are likely to be a tad below net as CMS can call this a win by providing a significant % off gross prices but not truly killing Medicare pricing overall. As a reminder, several selected drugs are highly discounted already due to age and therapeutic class, including diabetes and blood clots.

NEXT UP: (1) CMS is not required to release justification for prices until early next year (3/1). (2) We provide trends by type of medicine – oncology versus chronic care versus blood clots – below. (3) 2027 CMS drug negotiation guidance will be finalized this Fall with additional details (link to our proposed rule analysis [here](#)) as CMS states it will provide “lessons learned” from 2026 as it prepares for 2027. See our '27 list ([here](#)). (4) Part D redesign is also a complicating factor as we think about new prices. (5) We see no commercial pricing spillover with the release today. (6) Manufacturers hope to eke some wins during the appellate phase of litigation, and *Chevron* decision ([here](#)) will represent a new layer of challenges.

»» Key Points

CMS notes that \$6 B (22%) would have been saved if IRA negotiation was in effect last year. Recall CBO said \$98 B would be saved by 2031 in its scoring of drug negotiation. If the new prices had been in effect last year, Medicare would have saved an estimated \$6 B, or ~22%, across the 10 selected drugs. The negotiated prices range from 38 to 79% discounts from list prices (2023). About 9 M people with Medicare use at least one of the 10 drugs selected for negotiation. People with Medicare Part D coverage is expected to see aggregated estimated savings of \$1.5 B in their personal out-of-pocket costs in 2026.

Overall, prices remain slightly north of estimated commercial rebates (with a few exceptions). We note the difficulty in obtaining Medicare net pricing data. Blood clot medications prices are 14-15% less than estimated commercial rebates. Drugs were likely compared to one other based on how closely their rebate differences fall. On diabetes, most will experience small decreases in prices compared to estimated net, save

for Januvia which is an older drug. Notably, Entresto also saw a significant decline compared to 2023 list prices, being the only drug that is just approved for treatment of heart failure. Autoimmune drugs will see prices that are 66-67% off of the list prices. This is a significant decline compared to the commercial rebate estimates. However, Enbrel was expected to see significant price cuts due to its age and Stelara biosimilars are expected to launch in 2025 which will bring prices down significantly prior to negotiated prices going into effect.

- **Blood clot medicines (56-62% discounts off '23 list):** Eliquis (PFE, BMY) & Xarelto (Bayer, JNJ)
- **Diabetes & heart failure (68-80%):** Januvia (MRK) & Fiasp/NovoLog/FlexPen (NVO) & Jardiance (Boehringer Ingelheim, LLY) & Farxiga (AZN) & Entresto (NVS) for heart failure.
- **Oncology (40%):** Imbruvica (ABBV, JNJ)
- **Autoimmune diseases (66-67%):** Enbrel (AMGN) & Stelara (JNJ)

Imbruvica took a nearly 40% price hit from list, as the only oncology drug being negotiated (with others in its class), but that represents the lowest % discount of all drugs negotiated in year one. Imbruvica is not a highly rebated drug, and it faces a 38% cut from the list price in 2026. In general, oncology drugs are minimally rebated. The steep(er) price cut for Imbruvica sets the expectation that CMS will similarly pricecut potential oncologic therapies that will be selected for 2027.

2026 Drug Negotiated Prices, CMS

Product	Company	List Price Per Month (2023)	Commercial Rebate Estimate (2021)	NEW: 2026 Prices Per Month (Rebate % from 2023 List)
Eliquis	PFE, BMS	\$521	40%	\$231 (56%)
Xarelto	Bayer, JNJ	\$517	47%	\$197 (62%)
Januvia	MRK	\$527	61%	\$113 (79%)
Imbruvica	ABBV, JNJ	\$14,934	10%	\$9,319 (38%)
Enbrel	AMGN	\$7,106	45%	\$2,355 (67%)
Jardiance	Boehringer Ingelheim, LLY	\$573	55%	\$197 (66%)
Farxiga	AZN	\$556	65%	\$178.50 (68%)
Stelara	JNJ	\$13,836	36%	\$4,695 (66%)
Fiasp/NovoLog	NVO	\$495	67%	\$119 (76%)
Entresto	NVS	\$628	23%	\$295 (53%)

Source: CMS, Hernandez et al., "Price benchmarks of drugs selected for Medicare price negotiation and their therapeutic alternatives," JMCP, June 21, 2024., Capitol Street, 2024

Most prices appear to be within manufacturer expectations.

- We had said that prices would be discounted by 60% on average (gross) in 2026. We noted there would be fluctuations so that CMS could declare some wins, with other final prices not looking too different from net.
- Of the companies that have commented on 2026 prices most refused to provide further details until recently. In Q2 releases, prior to today's price release, Novartis, JNJ, and BMS stated that they do not see changes to their financial guidance from these prices from CMS. Notably, AMGN highlighted that their pricing impact will likely be mitigated by the payer mix as Part D makes up 1/4 of Enbrel revenue.

2026 price may come into play for 2027 negotiations. CMS has stated that if a drug selected for 2026 is identified as a therapeutic alternative to a drug selected for 2027 negotiations, the agreed-upon negotiated price from this first cycle of negotiations could serve as an input into the initial offer development process for the drug selected for the second cycle of negotiations.

BACKGROUND & 2027 OUTLOOK

As a reminder, there are two potential ceilings for maximum fair prices for Part D drugs being negotiated. The IRA sets the upper limits as the lower of either the statutory discount required by the IRA or the current rebated prices.

- the enrollment-weighted net price (net of all price concessions, including rebates) for a Part D drug
- or a percentage (40% or 75% based on years since FDA approval) of a drug's average non-federal average manufacturer price (non-FAMP).

Looking forward, our 2027 projected drug list is [here](#).

- **CMS will pick 15 in Part D for 2027 and 15 in Part B&D in 2028.** The 2027 list is due by February 1, 2024. Based on our projections (in terms of spending, though CMS will consider more recent data so it's not an apples-to-apples comparison), the top four eligible drugs are Ozempic (NVO), Trelegy Ellipta (GSK), Xtandi (Astellas & PFE), and Ibrance (PFE). Notably, there are several cancer therapies that could be negotiated in 2027, along with therapies for diabetes and COPD.
- **Semaglutide (Ozempic) is a likely 2027 pick.** List prices for a month's supply of GLP-1 drugs range from \$936 to \$1,349. Medicare spending has significantly increased, rising to \$5.7 B in 2022.

Lawsuits haven't gone industry's way thus far. Industry is hoping the appellate phase will go better for them.

- **At the district court level, judges have ruled against manufacturers, continuing to assert that Medicare remains a voluntary program despite negotiations.** Judges have largely continued to rule that Medicare is a voluntary program despite manufacturers and trade associations making their case. Notably, in the NVO's case the judge did not opine on if the total number of drugs CMS chose for negotiation is exempted from judicial review (due to standing issue). Lawsuits brought by associations are being dismissed at the District court level due to issues of standing, with the most recent decision in the Dayton Chamber of Commerce case ([here](#)) being dismissed by the Judge due to improper venue.

- **Additional lawsuits are likely to follow with the overturning of Chevron.** The administration of Medicare, including drug negotiations, is likely to be increasingly challenged as CMS is no longer given deference in interpreting ambiguous statutes ([here](#)). The industry continues to look for any potential wins with the cases making their way through appeals courts.

Litigation scorecard is provided below.

- [MRK](#) (Pending in DC district court) – 1st & 5th Amendment violation
- [NVS](#) (Pending in NJ district court) - 1st & 5th & 8th Amendment violation, separation of powers and APA violation
- [NVO](#) (ruled in the government's favor in NJ, appealed to the 3rd Circuit) – nondelegation/separation of powers, 1st & 5th Amendment, Unconstitutional conditions, statutory challenge (10 product limit)
- [Dayton Chamber of Commerce](#) (Dismissed in OH) - 1st & 5th & 8th Amendment violation, separation of powers violation
 - An appeal, if filed, would go to the 6th Circuit
- [Boehringer Ingelheim](#) (ruled in the government's favor in CT, appealed to the 2nd Circuit) – 1st & 5th & 8th Amendment violation, APA violation
- [JNJ](#) & [BMY](#) (ruled in the government's favor in NJ, appealed to the 3rd Circuit) – 1st & 5th Amendment violation, unconstitutional conditions doctrine violation
 - Opposition briefs for government are due Sept. 9
- [AZN](#) (ruled in the government's favor in DE, appealed to the 3rd Circuit) – APA, Orphan Drug Act, and 5th Amendment violation
 - HHS faces a Sept. 12 deadline to respond to the companies' opening briefs. The drugmakers' replies are due Oct. 7
- [NICA](#), [PhRMA](#), [GCCA](#) (Dismissed in TX, appealed to the 5th Circuit) – 5th & 8th Amendment violation, separation of powers violation
 - Waiting on appeals' court decision with oral arguments completed

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