CAPITOL STREET

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# Novo CEO Testifies Today on GLP-1 Prices

## TROA is Unlikely to Pass 4Q24, Commercial Prices Fall

Relevant Companies

## Our Take & Next Up

**Today, the Senate Health, Education, Labor, and Pensions (HELP) Committee (Chair Sanders, I-VT) is holding a hearing to discuss GLP-1 prices with NVO CEO Lars Fruergaard Jørgensen, who is set to testify (link here)**. The hearing, called "Why Is Novo Nordisk Charging Americans with Diabetes and Obesity Outrageously High Prices for Ozempic and Wegovy?" is a messaging vehicle, with the goal of applying pressure on GLP-1 manufacturers to lower prices on their own. We expect him to assert that pharmacy benefit managers, not drugmakers, are the ones causing the high costs. Notably, pharma co's are already cutting prices as result of head-to-head GLP-1 competition between LLY and NVO, as well as low cost compounded versions. We note that as prices decline, commercial coverage is likely to improve. We still believe that the *Treat and Reduce Obesity Act (TROA)* will not pass this year, and passage in 2025 is also unlikely but not impossible if a more reasonable CBO score is obtained. Semaglutide is likely to be selected for IRA drug negotiation in 2027, however, manufacturers are already highlighting next-gen GLP-1s that potentially have better efficacy, fewer side effects or easier administration.

## Key Points

**The Senate HELP Chair (Bernie Sanders) is no stranger to trying to pressure NVO (and LLY as an extension) on what he sees as outrageously high GLP-1 prices.** We note that prices are already falling in the commercial market, particularly among self pay. The hearing follows a Senate HELP report released earlier this year on how new weight loss drugs could impact prescription drug spending. The hearing is largely intended to be theatrical with NVO CEO Lars Fruergaard Jørgensen as the solo witness. He is expected to address questions on GLP-1 costs, rebating practices, and comparisons to lower international practices. His testimony will point to PBMs as the cause of high costs, a tactic seen in previous hearings on insulin costs.

**Hearing is largely not impactful as commercial prices are already declining due to price competition & low-cost compounded versions**. LLY and NVO have continued to increase rebates and discounts. Average Wegovy (NVO) rebates rose to about 51% of list price in the second quarter, and Zepbound (LLY) can be bought directly starting at $399-$549 a month, down from the original list price of $1,060. Prices are expected to further decline as more GLP-1s are launched and brand to brand competition increases.

**We do not believe that Medicare coverage of obesity medicines will pass in 2024, and odds are also slim in 2025.** We previously noted that innovation friendly bills are likely to see increased attention in 2025 in a more divided or GOP environment. An amended *Treat and Reduce Obesity Act* (*TROA*) passed out of the House Ways & Means committee (Chair Smith, R-MO) earlier this year. But full passage is unlikely in 2024. TROA remains expensive to lawmakers (CBO score still pending), however, passage of an amended TROA is possible in 2025, depending on cost. Notable hurdles to passage include health equity concerns for a limited Part D coverage pathway from Democrats.

- **The *Treat and Reduce Obesity Act (TROA)* (here) expands Medicare coverage to FDA approved drugs for chronic weight management, starting 2 years after enactment.** It also expands coverage of obesity behavioral treatments to include behavioral counseling from community-based programs, dietitians, and psychologists.
- **The amended *TROA* (passed out of House Ways & Means) restricts coverage to obese individuals in 2027 already on weight loss drugs prior to aging into Medicare and cost approx. $2 B /ten** (versus the significant costs of covering all beneficiaries). Medicare Part D coverage will only be allowed for treatment of obesity and will be limited to seniors who have been continuously taking weight loss medications during the year prior to Part D plan start.

**Medicare access is improving and expected to accelerate over time.** Despite no legislative action, obesity drugs are becoming more easily accessible for Medicare patients with additional chronic care indications (heart failure with preserved ejection fraction, sleep apnea). Wegovy (NVO) is FDA approved to reduce the risk of cardiovascular death, heart attack and stroke in overweight or obese adults. NVO plans to resubmit data on treatment of heart failure with preserved ejection fraction (HFpEF) in obese patients to the FDA in the beginning of 2025. LLY has submitted Zepbound data for obstructive sleep apnea in June and reported positive Phase 3 results for HFpEF in obese patients and in reducing the risk of diabetes. Other potential future approvals include treatment of chronic kidney disease, and MASH.

**Semaglutide is likely to be selected for negotiation in 2027**. As a reminder, the 2027 list is due by February 1, 2025. Based FDA approval, semaglutide is the first GLP-1 eligible for negotiation (7 years). Capitol Street projections (here) put Ozempic (NVO) within the top four eligible drugs based on historical data. However, it is possible that drug negotiations may not have as much of an impact as manufacturers have already started thinking about next-gen weight loss drugs. There are multitudes of next-gen GLP-1s, including NVO touting Phase 1 results for amycretin, an oral GLP-1, that beat early trials for Wegovy. As current GLP-1 prices are impacted by price competition and drug negotiations in the future it is possible that companies may pivot focus to next-gen weight loss & metabolism drugs.

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