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Obesity GLP-1 Coverage Update Going into YE

Phased Approach Means Possible TROA Passage Sooner Rather Than Later

Relevant Companies

Our Take & Next Up

A phased-in *Treat and Reduce Obesity* (TROA) Act could see action in 2025. As Obesity week continues in San Antonio, we wanted to provide our take on TROA in 2024+. The bill to provide Medicare coverage remains prohibitively expensive according to a recent CBO analysis of expanded Medicare coverage (~$35 B during 2026 to 2034). With GLP-1s being efficacious in additional indications (heart failure, sleep apnea, CKD, etc.), which lowers the overall CBO score, we could see lawmakers prioritize passage sooner-than-expected as beneficiaries and stakeholders have pushed wildly for access. A likely GOP Senate also improves odds of movement in 2025+ as it puts Senator Cassidy (R-LA), a lead co-sponsor & physician who has been a major supporter of access to anti-obesity medications, likely at the helm of the Senate HELP committee.

Key Points

A recent CBO analysis of the costs to cover GLP-1s in Medicare remains significant (~$35 B over 8 years). TROA does not have an official score, however, CBO's analysis demonstrates how expensive expanding coverage would be to the majority of the Medicare population.

- Spending on meds would cost $38.8 B which would be partially offset by reductions of $3.4 B in other health care spending from the beneficiaries' improved health. Relative to the costs, total savings from improved health are there, but would be small (less than $50 M in 2026 to $1 B in 2034).
- CBO's analysis was based on the scenario where Medicare would be authorized to cover obesity medications starting in January 2026 with coverage for all beneficiaries with obesity, as well as certain beneficiaries who are classified as overweight.
- CBO found that expanding coverage of weight-loss drugs (LLY & NVO) would make 12.5 M more people in the program eligible for them with the average cost per patient expected to be $5,600 in 2026 and $4,300 in 2034.

As a reminder, we expect a more limited coverage route (for obesity) to pass muster, and lawmakers may opt for a phase-in approach which cuts down on the CBO costs. There is increased interest among patients and payers on how to address Medicare access. We could see lawmakers opt to phase-in coverage by using pieces of the amended *Treat and Reduce Obesity Act* (TROA) that passed out of the House Ways & Means

committee (Chair Smith, R-MO) earlier this year. The bill enjoys bipartisan support in both chambers and could be a lower priority issue that could pass with the right pay-fors, in the context of a bigger bill.

- The amended TROA restricts coverage (Part D) 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).
- Post-election, a potential GOP Senate that favors access to innovation (Biopharma, MedTech, etc) likely wants to pursue their version of TROA. Specifically, the Senate HELP committee chair with a GOP majority is likely to be Senator Cassidy (R-LA) who has been a lead author & sponsor of the bill.

CBO scoring may improve as Medicare is forced to expand GLP-1 coverage with new chronic disease indications. As GLP-1s enjoy increased Medicare coverage through additional indications, the CBO costs of TROA decrease on paper as current coverage is not weighed against the cost of the bill. **Wegovy** (NVO) is already FDA approved to reduce the risk of cardiovascular death, heart attack and stroke in overweight or obese adults. NVO plans to resubmit to the FDA data on heart failure with preserved ejection fraction (HFpEF) in obese patients in the beginning of 2025. LLY submitted **Zepbound** data for obstructive sleep apnea in June and reported positive Phase 3 results for HFpEF in obese patients. Other potential future approvals include treatment for chronic kidney disease, reducing risk of diabetes, and MASH (which have shown recent positive results).

Semaglutide is likely to be selected for negotiation in 2027.

- **As a reminder, the 2027 Top 15 list is due by February 1, 2025**. Semaglutide based on its utilization and FDA approval history is likely eligible for negotiations in 2027. Capitol Street projections (here) put Ozempic (NVO) within the top four eligible drugs based on historical data.
- **Next-gen GLP-1s provide manufacturers' optimism in obesity and chronic care despite negotiation headwinds**. Manufacturers have pivoted to developing next-gen GLP-1s (orals & injectables) that could provide easier administration or better outcomes. Prescriptions are likely to be diverted to these medicines (vs. Wegovy & Zepbound) as the GLP-1 and GIP classes evolve. Manufacturers in the obesity space include **Viking therapeutics**, **AMGN**, **AZN**, and **PFE**.

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