

CAPITOL STREET

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Surprise Medicare & Medicaid Obesity Coverage by CMS

Trump CMS Needs to Finalize; Semaglutide Likely on '27 Negotiation List

Relevant Companies



»» Our Take & Next Up

GLP-1s would be covered by Medicare & Medicaid, if Trump CMS signs off in 2025. In an announcement [today](#), CMS proposes to cover the medicines for obesity-related diseases (versus weight loss drug coverage). We note that the Trump administration would have to finalize the policy, so the new coverage does not by any stretch go into effect immediately. A Trump CMS could rescind the rule, or keep it as is, given the winds blowing in the direction of incremental coverage for heart failure, sleep apnea, and other chronic conditions. We note that the proposal is expensive, particularly for state Medicaid programs. As we have noted in our obesity analyses ([here](#)), semaglutide will be on the 2027 negotiation list, almost certainly (see our list [here](#)). We believe with an announcement like this, the Biden administration seeks to dare the incoming administration to remove proposed coverage, as well as ensure that overall Medicare drug negotiation via the IRA stays in place.

»» Key Points

Good news for LLY, NVO....if the rules are finalized in 2025. We said on Nov 5 that obesity coverage going into YE is looking bright (our 11/5 analysis [here](#)). The new rule unveiled this morning would expand access to the drugs for 3.4 M Americans who use Medicare and another 4 M people enrolled in Medicaid, a White House official said ([here](#)). About 72 M Americans were enrolled in Medicaid as of July, according to the Centers for Medicare & Medicaid Services. Nearly 68 M are enrolled in Medicare.

The proposal is costly (\$35 B/ten for Medicare coverage via TROA) so we will see how the idea plays out. This feels like a legislative solution, not one that CMS can do via the regulatory route. We see this as political gamesmanship: Dare the incoming CMS to remove enhanced drug coverage from seniors & drug negotiation in the face of rising costs.

Loophole?

- The Biden administration proposes circumventing the weight loss drug noncoverage provision by considering the medications as treatments for the “disease of obesity,” rather than simply “weight-loss drugs,” said a Department of Health and Human Services spokesman. Patient advocates have argued that an exception could be made in the same way that the Bush administration allowed Medicare to pay for weight-gain drugs for patients with AIDS.
- A 2023 report commissioned by drugmaker **Pfizer** argued that the federal Medicare agency has the authority to allow coverage of anti-obesity drugs because they aren’t solely for weight loss, but rather to treat a chronic condition. (Source: WSJ)

The HHS Secretary today estimates that an additional 3.5 M people on Medicare and 4 M on Medicaid could qualify for coverage of the drugs. Research suggests far more people might qualify, with the Centers for Medicare and Medicaid Services estimating roughly 28 M people on Medicaid are considered obese.

13 state Medicaid programs covering GLP-1s for obesity treatment as of August 2024, according to Kaiser Family Foundation. CA, VA, NC, PA, MA, MS, MI, WI, MN, KS. In TX, ND, LA and SC coverage is in place but not for GLP-1s. All 12 states that reported coverage to KFF in its annual budget survey of GLP-1s as of July 1, 2024 also reported that utilization control(s) applied, with the most common being prior authorization (11 of 12 states) and/or BMI requirements (11 of 12 states). Eleven of the 12 states reported covering all three GLP-1s currently approved for the treatment of obesity (**Saxenda, Wegovy, or Zepbound**). While the survey only asked about FFS coverage, MCO drug coverage must be consistent with the amount, duration, and scope of FFS coverage. MCOs, however, may apply differing utilization controls and medical necessity criteria unless the state’s MCO contract specifies otherwise. Coverage among other payers also remains limited.

Commercial coverage of obesity drugs has incrementally improved, however, strict utilization restrictions and special obesity programs are expected to remain in place for cost control. UNH noted last month that employee demand for GLP-1s is outpacing employer’s coverage. A survey of employer plans found that 44% of U.S. employers with 500 or more employees are covering weight loss drugs in 2024, slightly up from 41% in 2023.

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