

CAPITOL STREET

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CMS '26 Drug Prices May Be Out Early-Mid August

Prices Not Draconian, CMS Wants to Notch a Win with a Potential Slow Roll Out?

Relevant Companies



»» Our Take & Next Up

We think new CMS negotiated '26 prices will be all over the map, with many prices representing a significant % cut from gross to be deemed a "win" for Democrats ahead of the election, and possibly the Convention. We have said since the Inflation Reduction Act (IRA) passed in 2022 that we do not believe CMS wants to be the agency responsible for destroying innovation. That said, price cuts may be all over the map and likely a tad below net. For instance, with Stelara facing biosimilar competition, the agency may easily say that prices will drop significantly (50%+) when we all know that biosimilars would have lowered price more moderately anyway. We will also learn the pattern CMS is using for 2027 i.e., will CMS compare Eliquis to Xarelto? Or both to Warfarin? We doubt the latter, but this first round will be a learning exercise for companies and spectators alike.

»» Key Points

We could see CMS slow walk the release of new 2026 prices. That is, announce new 2026 prices in tranches, or one-by-one to maximize press coverage. It's also a confusing topic, for sure, so releasing all at once may be more confusing than helpful. Recall the Administration is in reelection mode, so they may want the positive press especially ahead of the DNC. Recall the list of drugs to be negotiated here:

- Eliquis (PFE, BMY) for the treatment of blood clots
- Xarelto (Bayer, JNJ) for the treatment of blood clots
- Januvia (MRK) for the treatment of diabetes
- Imbruvica (ABBV, JNJ) for the treatment of blood cancers
- Enbrel (AMGN) for the treatment of rheumatoid arthritis and psoriasis
- Jardiance (Boehringer Ingelheim, LLY) for the treatment of diabetes and heart failure
- Farxiga (AZN) for the treatment of diabetes, heart failure, chronic kidney disease
- Stelara (JNJ) for the treatment of certain autoimmune disorders
- Fiasp/NovoLog/FlexPen (NVO) for the treatment of diabetes
- Entresto (NVS) for heart failure.

CMS may start to release prices in early to mid-August (ahead of Convention Aug 19 [here](#)). As a reminder, per law prices are due Sept 1. However, the negotiation period ends on August 1. With the end of the formal negotiation period, we may see CMS aim to publicize prices throughout August prior to the Democratic National Convention (August 19-22 in Chicago, IL) to use as a talking point. The 2027 list (Top 15 in Part D; see below for our projected list) is also not far off with a deadline of February 1, 2025.

Companies have been largely mum about new pricing metrics on their earnings calls thus far. However, so far CMS prices appear to be within manufacturer expectations with some already having received their final numbers. In their Q2 earnings call, JNJ noted that they received the final IRA pricing numbers for Stelara and Xarelto, which appear to be consistent with company expectations. Novartis similarly commented that their financial guidance has not changed when factoring in Entresto negotiations. We expect possibly more color in later calls as other negotiation-selected companies report financial 2Q24 results (NVO, AZN, LLY, BI, ABBV, Bayer, MRK, PFE, BMY, AMGN).

Looking forward, our 2027 projected drug list is [here](#). Recall CMS will pick 15 in Part D for 2027 and 15 in Part B&D in 2028. The 2027 list is due next Spring by February 1, 2024. Based on our projections, the top four eligible drugs (in terms of spending, though CMS will consider more recent data so it's not an apples-to-apples comparison) are Ozempic (Novo Nordisk), Trelegy Ellipta (GSK), Xtandi (Astellas & Pfizer), and Ibrance (Pfizer). Ozempic is controversial and it remains unclear if the agency would choose not to select it till 2028/29. Notably, there are several cancer therapies that could be negotiated in 2027, along with therapies for diabetes and COPD.

Lawsuits haven't gone in PhRMA's way thus far. At the district court level, judges have ruled against manufacturers, continuing to assert that Medicare remains a voluntary program despite drug negotiations. Ongoing litigation is listed here -

- Boehringer Ingelheim (ruled in the government's favor in CT) – 1st & 5th & 8th Amendment violation, APA violation
- JNJ & BMY (ruled in the government's favor in NJ, appealed) – 1st & 5th Amendment violation, unconstitutional conditions doctrine violation
- AZN (ruled in the government's favor in DE, appealed) – APA, Orphan Drug Act, and 5th Amendment violation
- NICA, PhRMA, GCCA (Dismissed in TX, appealed) – 5th & 8th Amendment violation, separation of powers violation
- MRK (decision pending in DC) – 1st & 5th Amendment violation
- NVO & NVS (decision pending in NJ) - 1st & 5th & 8th Amendment violation, separation of powers and APA violation
- Dayton Chamber of Commerce (preliminary injunction denied, decision pending) – 1st & 5th & 8th Amendment violation, separation of powers violation

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