CAPITOL STREET

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CMS 2026 Pilot Implements Medicaid MFN Deals

Mandatory CMMI Models Still The "Stick" For Non-Deal Makers

Relevant Companies

Our Take & Next Up

CMS's Center for Innovation announced a voluntary non-controversial model (starts Jan 2026), which implements MFN pricing in Medicaid through CMS negotiated supplemental rebates here. In the GENEROUS (GENErating cost Reductions fOr U.S. Medicaid) model, participating manufacturers would negotiate with CMS to provide set pricing based on international pricing data (G7 + Denmark and Switzerland) to Medicaid programs.

We believe that Medicare drug pricing models are still forthcoming as a "stick" for the companies that don't agree to a deal. That's the stick for the companies that do not agree to voluntary MFN agreements: mandatory CMMI models. See our GUARD and GUIDE analyses here.

Key Points

CMMI announced a supplemental rebate program to implement MFN pricing in Medicaid. The GENEROUS (GENErating cost Reductions fOr U.S. Medicaid) will implement international pricing through CMS-led negotiations for state Medicaid programs. Under the model, manufacturers will provide supplemental rebates to participating states to align Medicaid net prices with what certain other countries pay. The manufacturer would sign a minimum one-year Participation Agreement with CMS that could be renewed.

CMS released the Request for Applications (RFA) for manufacturers to participate and state participation will also be elicited. We expect that companies with MFN agreements are likely participants (PFE, AZN, EMD Serono, LLY, NVO). MFN pricing may not significantly change Medicaid drug prices as these products are already heavily rebated.

This feels like an "IPI-type" model versus MFN. MFN pricing will be based on the average net international prices in G-7 countries.

- **With already low Medicaid net prices, the new CMMI model will likely not significantly lower pricing even with supplemental rebates.** Drug manufacturers already provide substantial rebates (including basic, inflation, and supplemental rebates) for Medicaid participation.

- **It's very possible that there are drugs where MFN pricing is higher than the current net Medicaid price**. The model in the end may have a negative impact on states that chose to participate as states in the model would not be able to negotiate any further supplemental rebates on MFN drugs.

The model will launch in January 2026 and run for five years and is voluntary for manufacturers and states. CMS has released the Request for Applications (RFA) for manufacturers interested in participating in the model. Participating manufacturers will enter negotiated agreements with CMS to provide set pricing on their portfolio of covered outpatient drugs. States also will have to submit a "request for application" to CMS to enroll on a rolling basis in the model through August 31, 2026.

The GENEROUS model is structured like the CMMI Cell & Gene model. We expect manufacturers with MFN agreements (PFE, AZN, EMD Serono, LLY, NVO) are likely participants. CMS will lead the supplemental rebate negotiations for all participating states and all statutory rebates will continue to apply (similar to the cell and gene therapy model). See our analysis of the cell and gene model here.

MFN pricing will be based on the average net international prices in G-7 countries. Selected countries include the United Kingdom, France, Germany, Italy, Canada, and Japan, plus Denmark and Switzerland. For 2026, the manufacturer would begin providing data to CMS to determine the MFN price no later than 30 days after the manufacturer agreement is in effect.

Within this model, CMS will negotiate standard coverage criteria with manufacturers for model drugs. Participating states will use these criteria to develop their Preferred Drug Lists (PDLs) as well as the utilization management criteria for the MFN drugs. CMS will also support implementation by facilitating the provision of manufacturer data to states to effectuate MFN pricing.

This comes on the heels of a GLP-1 announcement for LLY/NVO to offer GLP1s at a lower price, increasing covered lives in Medicare and Medicaid. The two companies will offer their medicines at approx. $245, with Medicare beneficiaries paying a $50 co-pay (for diabetes or weight loss). An oral version, once available, will be $150. Companies avoid tariffs and also provide DTC access at TrumpRx. The NVO version would be available at $350 per month atTrumpRx.com, with the LLY version at $299.

LLY CEO David Ricks noted a voluntary GLP-1 pilot (BALANCE here) in Spring 2026 (Part D), which we will likely see before GUARD & GUIDE. Our analysis here. While a few Medicare Part D plans may not participate, Ricks said he expects "almost all" will do so. Starting in 2027, that pilot will become mandatory for Part D plans, Ricks indicated. Our take on the Nov 6 GLP-1 (NVO/LLY) deals can be found here.

Ipsita Smolinski
Managing Director I Capitol Street
ipsita@capitol-street.com

202.250.3741 I www.capitol-street.com

900 19th St NW 6th Fl
Washington, D.C. 20006

CAPITOL STREET
