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Rx Supply Chain

GLP-1 sales growth slows in Jan.; digging into NC State's decision not to cover

Industry Overview

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Equity
United States
Healthcare Technology & Distribution

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GLP-1 sales growth +30% in January; (27)% m/m

With the increased focus on GLP-1 drugs, we are tracking monthly sales and growth of script (Rx) volumes to see real-time trends. In January, GLP-1 sales grew 30% y/y compared to 57% in December and 60% in November while GLP-1 total prescriptions (TRx) increased 35% y/y compared to 46% in December and 47% in November (Exhibit 4). It is important to note that we are now entering into a period of tougher y/y comps but expect aggregate GLP-1 TRx to remain at elevated levels through 2024. For reference, prior to Mounjaro's debut, GLP-1 TRx grew at a steady compound monthly growth of 1.7% from January 2020 to May 2021. With the launch of Wegovy, GLP-1 TRx saw a slight acceleration at 2.4% compound monthly growth from June 2021 to May 2022. Then with the introduction of Mounjaro, GLP-1 TRx increased to 3.3% from July onward. On a sequential basis, GLP-1 sales declined 27% m/m in January vs. +33% m/m in December and +11% m/m in November (Exhibit 6). More recently updated weekly TRx data (through the week ending 2/16) is showing moderating script growth of 19% y/y vs. 27% last week and 41% the week before (Exhibit 7). Weekly total new script (NRx) growth for GLP-1s (through the week ending 2/16) was 21% y/y vs. 28% last week and 41% the week prior (Exhibit 8). We note that the GLP-1 category we track includes drugs classified under the Uniform System of Classification (USC) as GLP-1 analogs and anti-diabetes hormones.

January slowdown likely due to prior auth requirements

We believe the deceleration in January sales growth could reflect the renewal of prior authorizations in the new plan year resulting in delays in patients receiving prescriptions. Additionally, in December 2023 UnitedHealthcare (covered by our colleague Kevin Fischbeck) announced a new prior authorization requirement that Medicare Advantage members would require prior authorizations on covered GLP-1s effective January 1, 2024 (not applicable to members with type 2 diabetes).

Major state plan ends GLP-1 coverage due to high costs

The North Carolina State Health Plan (Plan) recently announced that it would no longer cover GLP-1 medications for weight loss for its 750K state employes. State officials estimated 2023 spend on GLP-1s was $170.2MM before rebates and projected spend could exceed $600MM annually before rebates within the next five years. North Carolina is the first major state health plan to end coverage for GLP-1s as other states/employers grapple with how to handle coverage of these medications across their workforces. In reaching the decision to end coverage, the Plan evaluated a number of possible utilization management options to manage cost and the potential rebate impact (Exhibit 3). While the majority of programs considered by the Plan would have resulted in a 100% rebate loss, its PBM CVS Caremark included an option to retain rebates upon utilizing the CVS Weight Loss Program. This dynamic highlights the unique position that CVS has to leverage its PBM to potentially influence coverage decisions and drive incremental volumes into its own weight management program. Given these dynamics, it will be important to track employer coverage decisions and monitor growth rates of sales and Rx from GLP-1s moving through 2024.

We provide recent news/related analysis in body of note

GLP-1 – glucagon-like peptide-1

PBM – pharmacy benefit manager

Refer to important disclosures on page 8 to 9.

Additional thoughts and readthroughs

Within the Health Care Tech & Distribution sector, we highlight potential GLP-1 implications across our coverage universe and readthroughs from recent news.

The first major state health plan ends GLP-1 coverage

The North Carolina State Health Plan (Plan) recently decided the health plan covering 750K state employes would no longer cover GLP-1 medications for weight loss effective April 1 due to high costs. By ending coverage for GLP-1s after April 1, the Plan estimates it could save nearly $100MM this year. The decision marks the first major state health plan to end coverage for GLP-1 medications. However, the Plan will continue to cover GLP-1s to treat diabetes. Since January 2015, the Plan has covered GLP-1s for weight loss and has seen unprecedented growth in usage of these medications over the last three years. The cost to the Plan for GLP-1s increased from ~$3MM per month three years ago to over $14MM per month in 2023 (before manufacturer rebates). For reference, in 2023 the Plan cost before rebates was $170.2MM (Exhibit 1). The Plan projects GLP-1 drugs could exceed $600MM annually before rebates within the next five years, absent significant price concessions. In 2023 the monthly premiums for the plan ranged from $25 for base coverage for an individual to up to $720 for premium coverage for families. On average, members would pay a co-pay of $30-$50 per month for GLP-1 medications, while the plan's cost was $800 per month. Health plan officials forecast that premiums would increase by $50 per month next year had coverage of the weight-loss drugs continued without limits.

Exhibit 1: 2023 total North Carolina State Health Plan cost of GLP-1 weight loss medications
Most weight loss users have prescriptions for Wegovy

Drug	Utilizers	Prescriptions	Plan cost before rebates ($ in millions)	Approximate net plan cost ($ in millions)
Wegovy	20,400	109,100	$144.8	$86.9
Saxenda	6,600	19,800	$25.2	$15.1
Zepbound	450	500	$0.2	$0.2
Total	**27,450**	**129,400**	**$170.2**	**$102.2**

Source: North Carolina State Health Plan for Teachers and State Employees

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PBM pass-through and rebate dynamics

The North Carolina State Health Plan uses CVS Caremark as its Pharmacy Benefit Manager (PBM) to manage/administer drug benefits and uses a pass-through model for the PBM contract. In a pass-through model, PBMs pass 100% of all rebates and discounts back to the plan sponsor. PBMs are able to leverage this model given their only source of revenue is an administration fee. This model provides the greatest level of transparency among PBM models given the full financial and operational disclosure provided on the claim and invoice level, which allows plan sponsors to verify transactions. The model is designed to incentivize PBMs to focus on lowering overall drug spend with the right mix of drugs and selective rebates. Plan sponsors can also benefit from improved prescription drugs trend and lower per member per month (PMPM) costs.

Last October, the North Carolina State Health Plan board voted to grandfather ~25K current users of GLP-1s, maintaining coverage for existing users moving forward, but ceasing to offer new coverage to members. The decision was made despite the estimated cost of the grandfathered members resulting in $54MM if rebates remained at 2023 levels (and estimated $139MM after the rebate loss). With the board's decision to not cover new GLP-1 prescriptions, the plan would not qualify for a 40% rebate from the manufacturer, Novo Nordisk (covered by Sachin Jain), and CVS Caremark. According to North Carolina State Health Plan, CVS Caremark issued the following response that the grandfathered members would no longer be eligible for rebates (with the Plan estimating a ~$500 rebate per prescription).

"With your planned plan exclusions in 2024, we do not believe grandfathered/PUE members would be rebate eligible."

Source: North Carolina State Health Plan

In reaching their decision, the board evaluated a number of utilization management options as a tool to control spend, all of which would result in a 100% rebate loss (Exhibit 2).

Exhibit 2: Utilization management options and impact on rebates
The North Carolina State Health Plan outlined a number of utilization options to consider for GLP-1s and the associated rebate impact

Prior Authorization Options	Rebate Impact
Change body mass index (BMI) criteria for GLP-1 anti-obesity agents	100% rebate loss
Add additional criteria to prior authorization Qset for GLP-1 anti-obesity agents	100% rebate loss
Patient must have lost ≥3% weight (2% BMI for adolescents) from baseline from at least three months of lifestyle modification prior to initiating GLP-1 anti-obesity agents	100% rebate loss Anything that deviates from the FDA labeling and changes utilization patterns.
$20,000 lifetime maximum coverage of GLP-1 anti-obesity agents	100% rebate loss Anything that deviates from the FDA labeling and changes utilization patterns.
Limited provider network: Require American Board of Obesity Medicine (ABOM) certified providers to prescribe GLP-1 anti-obesity agents	100% rebate loss Anything that deviates from the FDA labeling and changes utilization patterns.
Step therapy - require patients try and fail a non-GLP-1 anti-obesity agent in the previous 6 months before approval of GLP-1 anti-obesity agent	100% rebate loss Anything that deviates from the FDA labeling and changes utilization patterns.
Duration of therapy limit - Via criteria handled by the medical plan. If member is not meeting clinical endpoints, can determine whether to allow continued coverage of GLP-1 anti-obesity agents	100% rebate loss Anything that deviates from the FDA labeling and changes utilization patterns.

Source: North Carolina State Health Plan for Teachers and State Employees

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The Plan narrowed the list of possible utilization management tools which notably included the CVS Weight Loss Program, the only program listed with the opportunity for the Plan to keep and earn rebates (Exhibit 3). The weight management programs being considered varied in length and enrollment requirements and were evaluated on cost per member and rebate impact.

Exhibit 3: Possible Utilization Management Program Options considered by the North Carolina State Health Plan
The Plan considered the programs listed below, with the CVS Weight Loss program listed as the only opportunity to earn and keep rebates

Program	Cost	Rebate Impact
Required Nutrition Visits - Require members to complete "x" number of visits with an in-network nutritionist prior to access to GLP-1 anti-obesity agent.	Member cost: $0 Plan cost per visit (average $80)	100% loss of rebates
Wellframe Weight Loss Program - Would customize. Members would be required to complete program before access to GLP-1 anti-obesity agents.	Quote not provided at this point. Notified this is the most expensive out of ESMMWL, Wellframe, and Nutrition Visits options.	100% loss of rebates
Eat Smart, Move More, Weigh Less (ESMMWL) - Require all members to utilize program for 15 weeks prior to initiation of GLP-1 anti-obesity agents.	$215 per utilizer per year	100% loss of rebates
Flyte Program (Connecticut) - Medically supervised weight loss / weight management program. Requirements: must be 18 years old or older, having a BMI of 30 or higher, or a BMI of 27 with one weight-related condition (diabetes, heart disease, sleep apnea, etc.).	$100 per member per month	100% loss of rebates
CVS Weight Loss Program **- 12-month program in conjunction with GLP-1 anti-obesity agent use.**	**$138 per utilizer per month**	**Opportunity to earn and keep rebates; details would have to be worked out.**

Source: North Carolina State Health Plan for Teachers and State Employees

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According to North Carolina State Health Plan, CVS Caremark issued another response following the October board meeting as the programs being considered by the Plan would not earn any rebates given the programs would no longer follow Food and Drug Administration (FDA) labeling.

> "At this time CVS Caremark believes this program would not earn any rebates. The reason being is that it requires completion of this program before dispensing and does not follow label. Saxenda and Wegovy are indicated as an adjunct to diet and exercise, not as a follow-up after diet and exercise failed, which is why we believe requiring diet and exercise programs first to not be to label"
>
> *Source: North Carolina State Health Plan*

While the board voted to end coverage of GLP-1 drugs, board members have said they could revisit coverage of the drug if Novo Nordisk and CVS Caremark are willing to cut the price.

CVS could benefit from PBM rebate dynamics

The major state health plan's decision to end coverage for GLP-1s highlights the evolution of employer coverage decisions as we move through 2024. While employers continue to grapple with GLP-1 coverage and rising costs, we see potential for employers to lean into programs to help members keep off weight or impose requirements as a tool to manage costs. The utilization management programs that the North Carolina State Health Plan considered in reaching their decision (Exhibit 3) are clear examples of how comprehensive weight management solutions could see adoption in 2024. In the case of CVS, as a PBM the company is uniquely positioned to utilize rebates to influence coverage decisions while driving members into its own weight management program. While the details were limited, the Plan noted that by offering the CVS Weight Loss Program in conjunction with GLP-1 use, there would be an opportunity to earn and keep rebates (although the details would have to be worked out). For reference, the CVS Weight Loss Program provides one-on-one support from clinicians (including providers and dieticians), personalized nutrition plan, Weight Coach app, and connected body weight scale to support members on their weight loss journey. We view CVS as well positioned to leverage its PBM pass-through model to potentially expand GLP-1 coverage while driving incremental volumes into its own weight management program. Given it is still early, we continue to monitor this dynamic through 2024 and see optionality in CVS given its scale and ability to impact coverage decisions for GLP-1s.

Exhibit 4: GLP-1 monthly sales and volume growth y/y change (Jan '23 – Jan '24)
Total GLP-1 sales grew 30% in January vs. to 57% y/y in December while total GLP-1 Rx grew 35% y/y in January vs. 46% in December

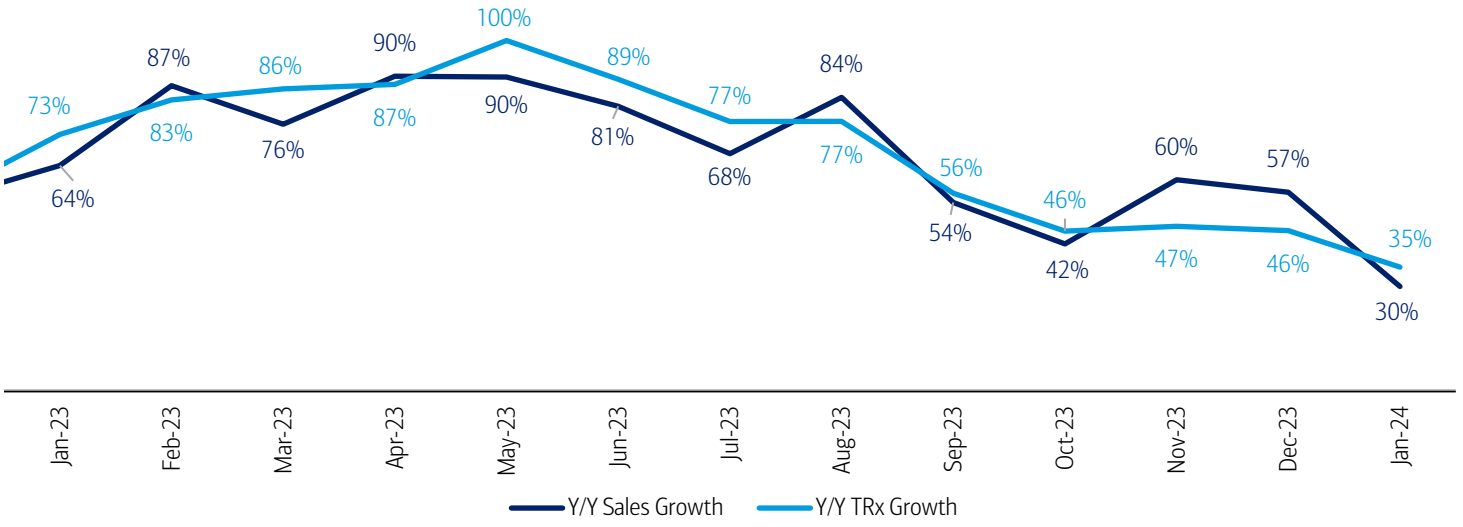

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Exhibit 5: GLP-1 monthly sales and volume growth y/y change (Jan '19 – Jan '24)
January total sales and TRx growth for GLP-1s remain elevated in the 30-35% range

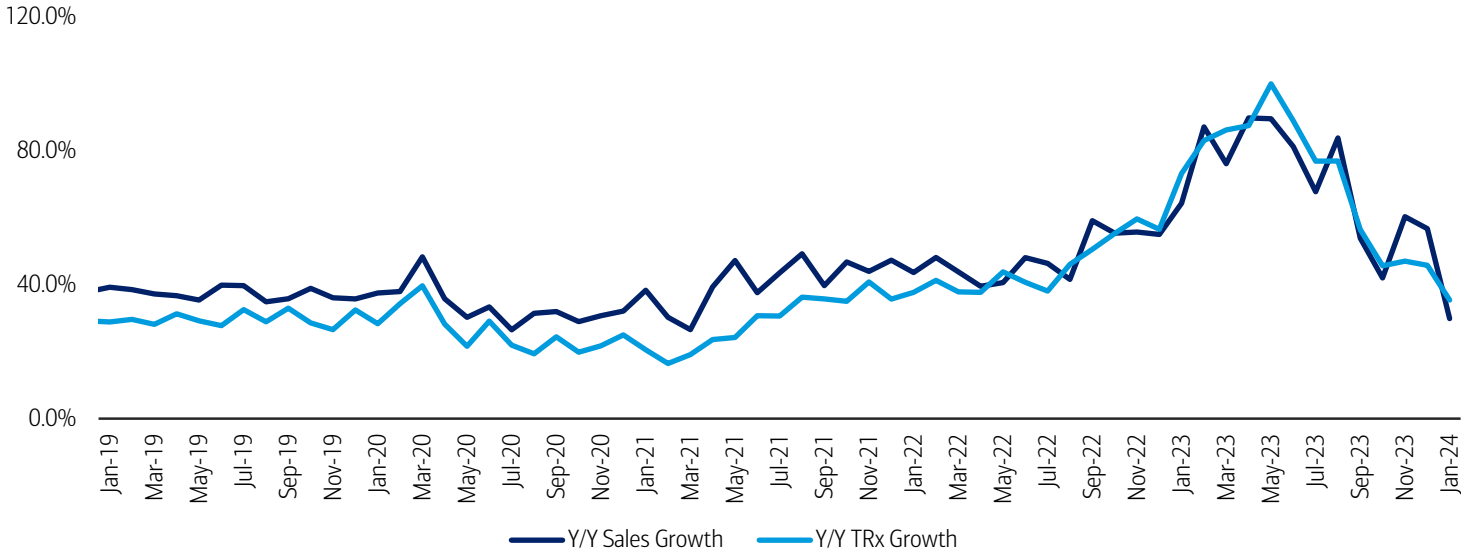

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Exhibit 6: GLP-1 monthly sales and volume growth m/m change (Jan '23 – Jan '24)
In Jan., total GLP-1 sales declined 27% m/m vs. an increase of 33% m/m in Dec. while total GLP-1 Rx declined 2% m/m in Jan. vs. an increase of 5% in Dec.

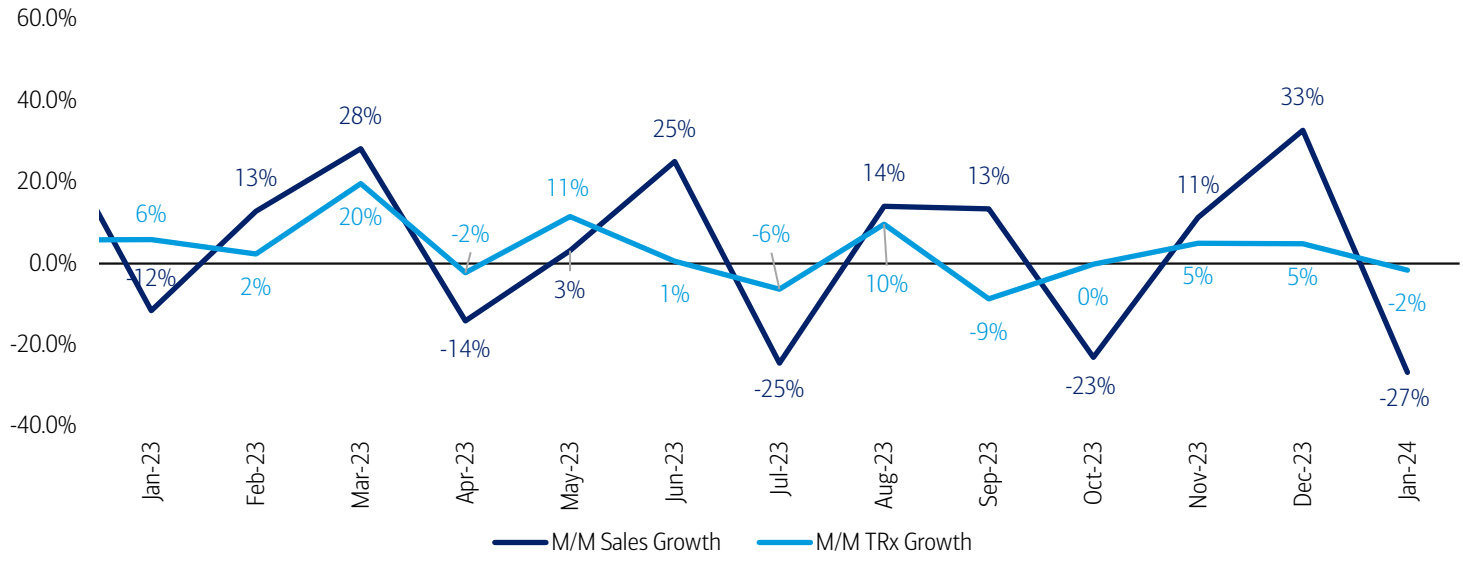

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Exhibit 7: Weekly Total Rx Volume Growth for GLP-1s (Feb '23 - Feb '24)
Weekly total Rx volumes for GLP-1s increased 19% y/y (for week ending 2/16/24) vs. 27% y/y in the week prior

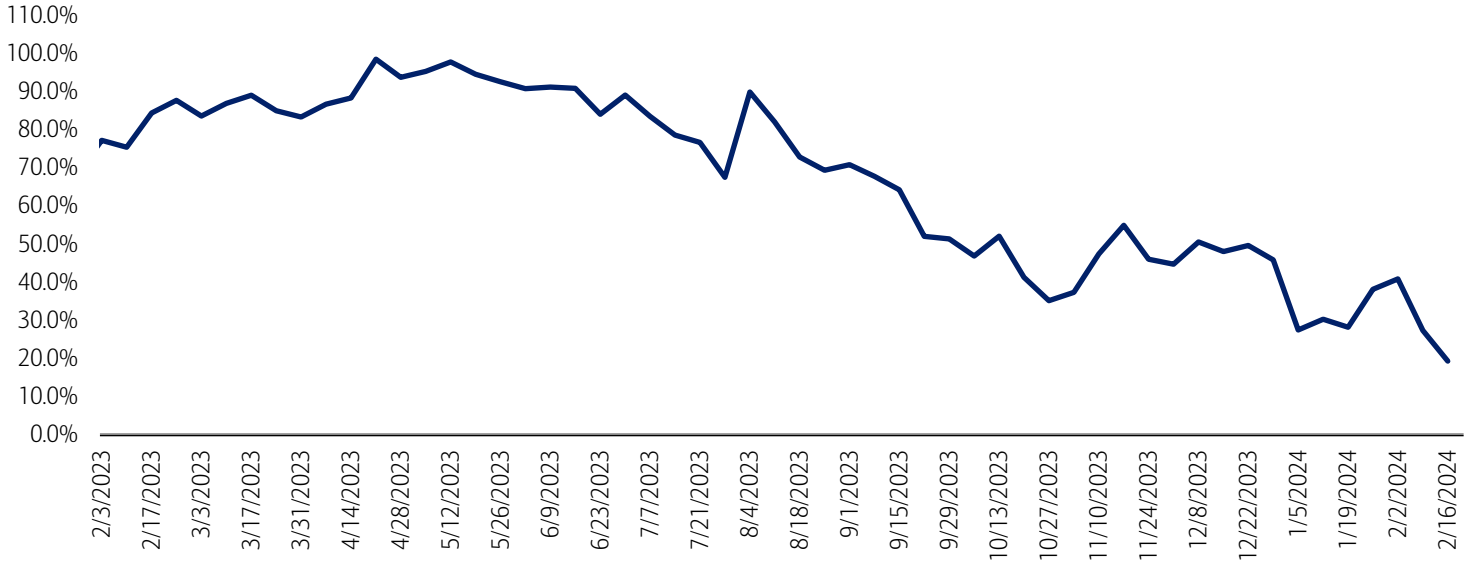

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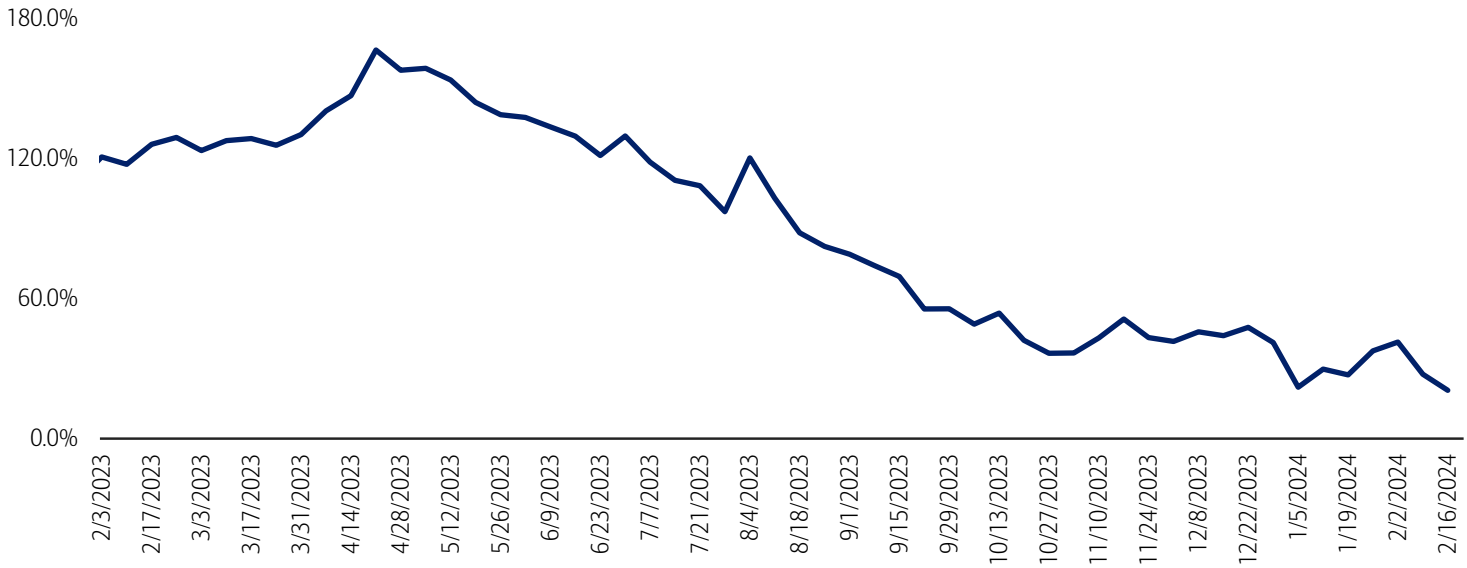
Exhibit 8: Weekly New Rx Volume Growth for GLP-1s (Feb '23 – Feb '24)
Weekly new script growth for GLP-1s is 21% (for week ending 2/16/24) vs. 28% in the week prior



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