

EARNINGS

Medicare Funding Weighs on Eli Lilly's Revenue

Trulicity sales rose but missed expectations due to Lilly's increased share of Medicare Part D funding



Eli Lilly reported third-quarter revenue of \$5.48 billion, up 3.2% but below analysts' expectations. PHOTO: DARRON CUMMINGS/ASSOCIATED PRESS

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Eli Lilly [LLY -2.22%](#) ▼ & Co. posted lower-than-expected revenue as the pharmaceutical company provided more funding for Medicare participants according to a change in federal requirements this year.

The Indianapolis-based drugmaker on Wednesday reported third-quarter revenue of \$5.48 billion, up 3.2% from a year earlier but below the \$5.5 billion analysts polled by FactSet had expected. Lilly said an 8% volume increase drove revenue.

Under the change to Medicare Part D drug benefits, companies like Lilly must now pay 70% of prescription costs when members reach a certain level of spending within a year. In 2018, the portion was 50%.

Lilly's U.S. sales for the quarter were little changed at \$3.06 billion as higher sales for its key products, including diabetes treatment Trulicity, psoriasis drug Taltz and migraine medication Emgality, offset lower volume of erectile-dysfunction pill Cialis.

Sales of Cialis, which has lost its patent exclusivity, fell 61% from a year earlier.

Lilly said its overseas sales rose 8% from the year-earlier quarter to \$2.42 billion.

Trulicity sales rose 24% but missed expectations due to increased funding for seniors under Medicare Part D, Chief Executive David Ricks said in an interview.

More than one-third of Trulicity's U.S. sales are through Part D, and many seniors in May through August hit a gap in coverage known as the doughnut hole. Lilly's funding for those seniors reduced net pricing for Trulicity, but strong prescription volume growth for the treatment paints a "healthy picture," Mr. Ricks said.

Another drag on sales was the company's withdrawal from the market of its Lartruvo cancer drug after a study showed that it failed to prolong overall survival in a clinical trial.

The company's shares fell 2.2% on Wednesday.

Lilly's profit for the third quarter was \$1.37 a share, up 22% from the year-earlier period. Adjusted earnings rose 10% to \$1.48 a share, beating the \$1.40 a share analysts had expected.

For the full year, Lilly said it expects adjusted earnings per share of \$5.75 to \$5.85; its previous guidance was \$5.67 to \$5.77. Analysts are expecting \$5.72 a share for the year.

Lilly said it is sponsoring a clinical study with the University of Southern California's Alzheimer Institute to test whether the company's drug solanezumab can slow the progression of memory problems in older people who don't yet show symptoms of Alzheimer's disease but are at risk of decline. The "A4" study for the drug, which failed to help patients already diagnosed with Alzheimer's in past trials, is likely to yield results in 2022, Chief Scientific Officer Daniel Skovronsky said on a call with investors.

"We just have to wait patiently for those results to see if someone can have efficacy in this very early population," Mr. Skovronsky said.

Biogen Inc. on Tuesday said it plans to seek regulatory approval early next year for an Alzheimer's drug that had been considered a lost cause after the company pulled the plug on late-stage studies due to disappointing results.

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