

November 4, 2024

Lantheus (LNTX): Pylarify Hospital Rates Likely Down ~45%, Despite CMS Error

Key Takeaways: Consistent with our pre-rule expectations [[see here](#)], hospital outpatient rates for LNTX’s Pylarify appear set for a ~45% YoY decline in CY25 following CMS’s final rule. While enactment of “separate payments” for all high-cost diagnostic radiopharmaceuticals improves upon current policy that pays *nothing* once a product’s transitional pass-through (TPT) payment expires, CMS’s decision to base the **amounts** on Mean Unit Cost (MUC) likely implies facility profits falling from 60%+ to 0%. Margins for competitors will likely remain at ~60% until their own TPTs expire [TLX (3Q25), NVS (4Q25), privately-held Blue Earth (4Q26)]. Importantly, agency rate tables differ from the rule *text*, and would suggest current rates / margins will continue into 2025, though we suspect this is an error that will be corrected in the coming days / weeks.

With Pylarify’s TPT [\$5.7K] set to expire YE24, drug-specific payments under existing policy would have gone to zero, absent this change, and hospitals compensated only for the imaging procedure [~\$1.5K] during which these products are used. When accounting for Pylarify’s ~\$3.1K costs, this would have left facility margins deeply negative.

The agency’s decision to continue providing “separate payment” for all diagnostic radiopharmaceuticals with costs > \$630 is therefore a positive *policy* outcome, but the use of MUC nevertheless implies significant YoY erosion in facility payment levels, which will likely go from \$5.7K to \$3.1K, covering hospital costs but little else. Moreover, with TPT rates for competitor prostate specific membrane antigen (PSMA) products remaining in place across most of 2025 and 2026, their own margin profile is meaningfully improved relative to Pylarify, risking market share for LNTX.

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Lantheus Holdings Inc (LNTX)

Price: \$107.98

52-Week High: \$126.89

52-Week Low: \$50.20

Telix Pharmaceuticals Ltd (TLX)

Price: A\$21.45

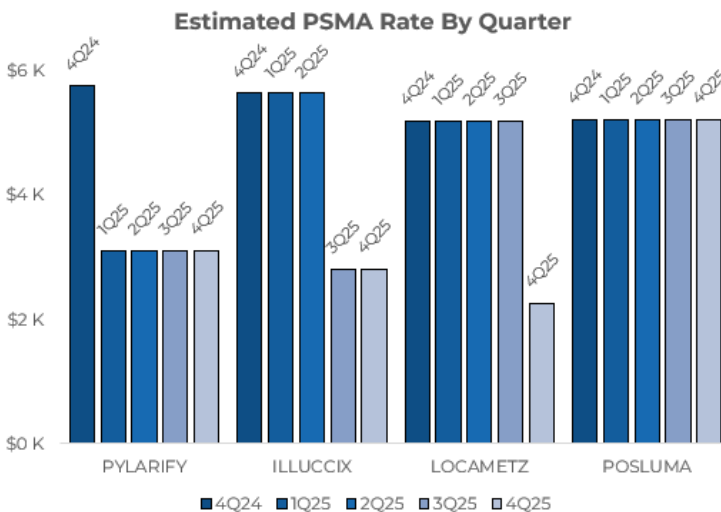
52-Week High: A\$22.38

52-Week Low: A\$8.94

Novartis AG ADR (NVS)

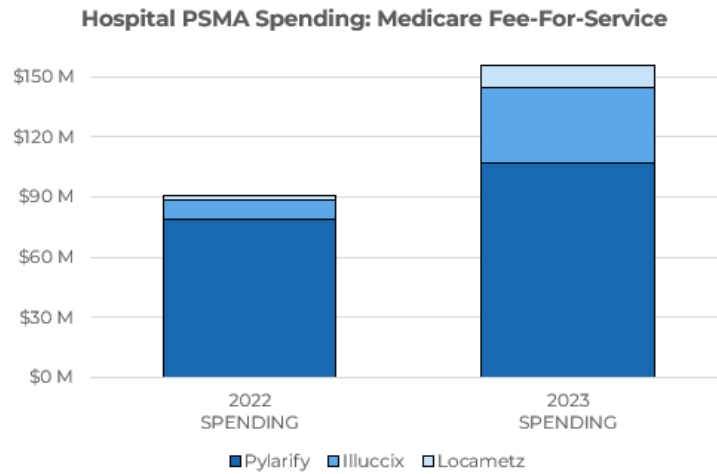
Price: \$109.34

52-Week High: \$120.92

52-Week Low: \$92.35


Source: Capitol Policy Partners

We should also note that this shifting incentive structure comes as CMS utilization data shows a decline in LNTH hospital share from 86% in CY22 to 65% in 2023, albeit with the overall size of the market growing as well. Importantly though, *all* of the below products enjoyed TPT status in those years, with LNTH being the only one that will lose this for 1H24, before being joined by TLX in July and NVS in October.



Source: CMS, Capitol Policy Partners

Investors will recall that [LNTH](#) and other manufacturers had strenuously advocated *against* CMS's use of hospital-reported MUC following the July proposal, arguing that it would be more appropriate to rely on cost data they had themselves been reporting throughout their TPT period. In response, however, CMS notes the following [*emphasis ours*]:

*“There are very few manufacturers reporting ASP for their products currently, and of those few, the ASP values that we have generally do not align with the ASP we would expect based on the cost data submitted to CMS by hospitals...To maintain a consistent payment methodology for CY25, we believe it is appropriate to **treat all non-passthrough diagnostic radiopharmaceuticals with claims data the same and pay using MUC, without exception, such as for products with recent TPT expiration.**”*

As evidenced in CMS's [Cost Statistics Files](#), the delta between MUC and current payment levels can be significant:

DATA DELTAS	HCPCS CODE	4Q24 PAYMENT	MEAN UNIT COST	%Δ
Pylarify (Lantheus)	A9595	\$5,753	\$3,109	-46%
Illuccix (Telix)	A9596	\$5,640	\$2,812	-50%
Locametz (Novartis)	A9800	\$5,195	\$2,266	-56%
Posluma (Blue Earth)	A9608	\$5,213	--	--

Source: CMS, Capitol Policy Partners

We highlight both the text of CMS's rule itself and its published MUC data only because there appears to be a significant discrepancy with the actual CY25 *payment* rates the agency has published for each product [[see Addendum B](#)]. In fact, rather than its stated intention to **“pay using MUC, without exception,”** the published rates would suggest that the agency will instead pay exactly the same amounts – *down to the penny* – as is [currently](#) the case in 4Q24.

OPPS DATA	4Q24	CY25 DRAFT	CY25 FINAL
Pylarify (Lantheus)	\$5,752.89	\$3,156.10	\$5,752.89
Listed Rate Per Unit	\$615.12	\$337.46	\$615.12
Units Per Service	9.35	9.35	9.35
Mean Unit Cost (MUC)	\$339.95	\$337.46	\$332.44
MUC Service Rate	\$3,179	\$3,156	\$3,109
Illucix (Telix)	\$5,639.59	\$5,361.66	\$5,639.59
Listed Rate Per Unit	\$1,026.05	\$975.48	\$1,026.05
Units Per Service	5.50	5.50	5.50
Mean Unit Cost (MUC)	\$557.48	\$525.91	\$511.55
MUC Service Rate	\$3,064	\$2,891	\$2,812
Locametz (Novartis)	\$5,195.16	\$5,195.16	\$5,195.16
Listed Rate Per Unit	\$873.44	\$873.44	\$873.44
Units Per Service	5.95	5.95	5.95
Mean Unit Cost (MUC)	\$460.54	\$398.88	\$381.01
MUC Service Rate	\$2,739	\$2,373	\$2,266

Source: CMS, Capitol Policy Partners

This compares with the CY25 *proposal*, where the mean unit costs included in CMS’s data files were identical – again, to the cent – with the code specific draft payment rates included in Addendum B, which one would expect to see for a payment methodology based on MUC.

Given typically significant changes in the aggregate data sets CMS uses for ratesetting, as well as QoQ fluctuations in hospital-reported information, it is highly improbable – in our view – that the result for each of these products would be *identical* to 4Q24, particularly given the significant declines outlined in the MUC-based CY25 proposal released in July.

We therefore suspect that the rates included in CMS’s Addendum B payment tables were published in error, as has been the case in previous rulemakings, and would expect to see these updated (without fanfare) in the coming weeks. In fact, the [proposal](#) itself was subject to similar revisions across *both* of the relevant files included with each rulemaking, coming two weeks after the draft’s publication on July 10.



Related Links

[CMS-1809-P \(Display version\)](#)

[2025 NPRM OPPS Cost Statistics Files - Updated 07/24/2024](#)

[2025 NPRM OPPS “Data Addendum B” and “2 Times Rule” File](#)

[2025 NPRM OPPS Addenda - Updated 07/24/2024](#)

[2025 NPRM OPPS Blood Revenue Code Cost to Charge Ratios](#)

[FY 2025 Wage Index Home Page](#)

Source: CMS

With this in mind, we are using the relevant MUC data published by CMS to project anticipated PSMA payment rates over the course of CY25, rather than the dollar payment amounts we would ordinarily use from Addendum B, as we would expect the two to be reconciled in the next 1-2 weeks.

RATES BY QUARTER Pass-Through End	PYLARIFY Jan 1, 2025	ILLUCCIX Jul 1, 2025	LOCAMETZ Oct 1, 2025	POSLUMA Oct 1, 2026
4Q24	\$5.8 K	\$5.6 K	\$5.2 K	\$5.2 K
1Q25	\$3.1 K	\$5.6 K	\$5.2 K	\$5.2 K
2Q25	\$3.1 K	\$5.6 K	\$5.2 K	\$5.2 K
3Q25	\$3.1 K	\$2.8 K	\$5.2 K	\$5.2 K
4Q25	\$3.1 K	\$2.8 K	\$2.3 K	\$5.2 K

Source: CMS, Capital Policy Partners

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