

November 26, 2024

[LLY, NVO] Quick Takes on Obesity Coverage Surprise

While likely implying a ~2% revenue tailwind for **LLY** and **NVO**, if implemented, we take a cautious view of this morning's surprise White House [announcement](#) that it intends to facilitate broader Medicare / Medicaid coverage of anti-obesity medications (AOMs) as we await greater specifics through a formal proposal, typically posted at the [Federal Register](#). While we suspect this implies CMS recognition of obesity as a chronic disease, as has been [advocated](#) by industry, we are dubious that a full notice-and-comment rulemaking can be completed prior to Jan. 20 and suspect that any such efforts are likely to face litigation from Medicare Advantage insurers and Medicaid managed care organizations.

We nevertheless include our quick thoughts below along with some preliminary revenue estimates if this change were to go into effect, though caution that these are based on the limited information that has so far been made available:

- Recall that just last month the Congressional Budget Office (CBO) [estimated](#) that AOM coverage in Medicare alone would likely lead to incremental use by 297K beneficiaries in 2026 (or 2% of eligible patients), increasing to 1.6M (14%) by 2034, with total direct federal costs of \$35.5 B.
- Using the CBO's assumptions surrounding the evolution of net manufacturer costs over its 10-year window, including the effects of anticipated government negotiation of **NVO's** Wegovy, this would imply incremental revenues of \$1.6 B in 2026, increasing to \$8.1 B by 2034.

METRIC	2026	2027	2028	2029	2030	2031	2032	2033	2034
Avg List Price	\$14.9 K	\$15.2 K	\$15.5 K	\$15.9 K	\$16.2 K	\$16.5 K	\$16.8 K	\$17.2 K	\$17.5 K
NVO Wegovy List	\$16.7 K	\$17.0 K	\$17.4 K	\$17.8 K	\$18.1 K	\$18.5 K	\$18.9 K	\$19.2 K	\$19.6 K
LLY Zepbound List	\$13.1 K	\$13.4 K	\$13.7 K	\$14.0 K	\$14.2 K	\$14.5 K	\$14.8 K	\$15.1 K	\$15.4 K
CBO Est. Net Price	\$5.9 K	\$4.0 K	\$4.2 K	\$4.3 K	\$4.5 K	\$4.7 K	\$4.9 K	\$5.1 K	\$5.3 K
%Δ YoY		-32%	5%	2%	5%	4%	4%	4%	4%
Avg Discount	-60%	-74%	-73%	-73%	-72%	-72%	-71%	-70%	-70%
NVO Wegovy	-65%	-77%	-76%	-76%	-75%	-75%	-74%	-73%	-73%
LLY Zepbound	-55%	-70%	-69%	-69%	-68%	-68%	-67%	-66%	-66%
CBO Adoption Est.	279 K	487 K	743 K	961 K	1.2 M	1.3 M	1.4 M	1.5 M	1.6 M
New Patients	279 K	208 K	256 K	218 K	195 K	159 K	128 K	101 K	80 K
%Δ YoY		75%	53%	29%	20%	14%	10%	7%	5%
CBO Est. Net Sales	\$1.6 B	\$1.9 B	\$3.1 B	\$4.1 B	\$5.2 B	\$6.2 B	\$7.1 B	\$7.9 B	\$8.6 B

Source: CBO, Capitol Policy Partners

- In contrast, the White House press release suggests that the yet-to-be-disclosed policy will "help an estimated 3.4 M Americans with Medicare...[and] approximately 4 M adult Medicaid enrollees," though it does not disclose whether these numbers are *cumulative*, the relevant time period, or whether these patients will merely be *eligible* for coverage or reflect CMS utilization assumptions.

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Eli Lilly and Company (LLY)

Price: \$755.00

52-Week High: \$972.53

52-Week Low: \$561.65

Novo Nordisk A/S (NVO)

Price: \$104.56

52-Week High: \$148.15

52-Week Low: \$94.73

- Assuming the figures are aggregate, and that they span a similar 10-year budget horizon to the CBO, this would be roughly comparable sales estimates for manufacturers, with \$1.3 B in additional sales in 2026 increasing to \$6.7 B in 2034, along with budgetary costs of ~\$25 B.
- Notably, however, this would also imply use by just ~35% of the Medicare patients assumed within CBO modeling, suggesting the policy may have additional limitations / guardrails. The remainder would be made up of *Medicaid* patients not contemplated in the CBO analysis.

METRIC	2026	2027	2028	2029	2030	2031	2032	2033	2034
White House Adoption Est.	216 K	377 K	576 K	744 K	896 K	1.0 M	1.1 M	1.2 M	1.3 M
Medicare	99 K	173 K	264 K	342 K	411 K	468 K	514 K	550 K	578 K
Medicaid	117 K	204 K	311 K	402 K	484 K	551 K	604 K	647 K	680 K
Est. Net Sales	\$1.3 B	\$1.5 B	\$2.4 B	\$3.2 B	\$4.0 B	\$4.8 B	\$5.5 B	\$6.1 B	\$6.7 B

Source: White House, CBO, Capitol Policy Partners

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