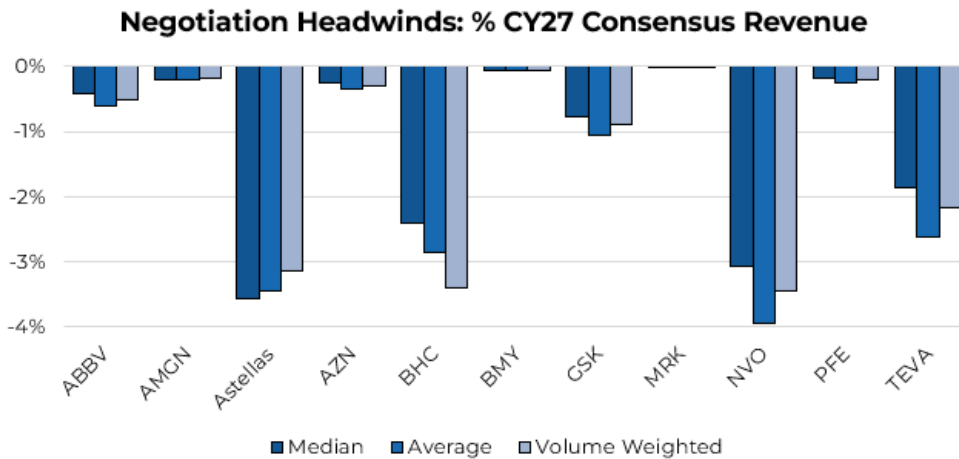


January 17, 2025

[NVO, BHC, TEVA] Quantifying IRA Price Negotiation Risks

Our analysis of the drugs included in the CY27 cycle of price negotiations under the Inflation Reduction Act (IRA) [announced](#) this morning implies a 3%-4% headwind for **NVO** relative to consensus CY27 revenues, with a 3.0% to 3.5% risk for **Astellas**, a 2.5% to 3.5% risk for **BHC**, and a 2.0%-2.5% headwind for **TEVA**. That said, we continue to expect a nearer-term *positive* catalyst for NVO in mid-April, as we suspect the Trump administration will likely finalize the Biden team's November [proposal](#) to allow Medicare / Medicaid to cover GLP-1 products for obesity indications, rather than merely comorbid conditions. A key question will therefore be whether the one offsets gains associated with the other. *Full analysis available upon request.*



Source: CMS, Capitol Policy Partners

The above analysis shows the implications for consensus CY27 revenues if CMS were to apply the median, mean and volume-weighted average reductions to net manufacturer prices observed in the first 10 products for which CMS [established](#) a Maximum Fair Price (MFP) back in August 2024. While the negotiations themselves for this *next* set of 15 drugs will take place throughout the course of this year, and the MFP released by the statutory deadline of Nov. 1, we see de minimis implications for the likes of **ABBV** (Linzess, Vraylar), **AMGN** (Otezla), **AZN** (Calquence), **BMY** (Pomalyst), **GSK** (Trelegy Ellipta, Breo Ellipta), **MRK** (Janumet), and **PFE** (Ibrance).

In contrast, however, even the *average* reduction from the CY24 / CY26 cycle to current net prices would likely imply meaningful revenue risks for NVO in particular due to the – albeit expected – inclusion of obesity drug Wegovy alongside the company's other semaglutide products Ozempic and Rybelsus.

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Novo Nordisk A/S (NVO)

Price:	\$78.69
52-Week High:	\$148.15
52-Week Low:	\$80.05

Bausch Health Companies Inc (BHC)

Price:	\$7.44
52-Week High:	\$11.46
52-Week Low:	\$3.96

Teva Pharmaceutical Industries Ltd (TEVA)

Price:	ILA 7,842.00
52-Week High:	ILA 8,431.00
52-Week Low:	ILA 4,023.00

AbbVie Inc (ABBV)

Price:	\$171.54
52-Week High:	\$207.32
52-Week Low:	\$153.58

Eli Lilly and Company (LLY)

Price:	\$725.72
52-Week High:	\$972.53
52-Week Low:	\$612.70

Amgen Inc (AMGN)

Price:	\$272.11
52-Week High:	\$346.85
52-Week Low:	\$253.30

Bristol-Myers Squibb Company (BMY)

Price:	\$56.29
52-Week High:	\$61.08
52-Week Low:	\$39.35

GlaxoSmithKline PLC ADR (GSK)

Price:	\$33.43
52-Week High:	\$45.92
52-Week Low:	\$31.72

IRA MFP % PRE-ACA NET (CY24 / CY26 CYCLE)					
YEARS ON MARKET	MIN	MEDIAN	AVERAGE	VOL WTD	MAX
9 to 11	-59%	-16%	-22%	-19%	0%
12 to 15	-25%	-18%	-17%	-16%	-9%
16+	-66%	-30%	-36%	-43%	-18%
TOTAL	-66%	-18%	-26%	-21%	0%

Source: CMS, Capitol Policy Partners

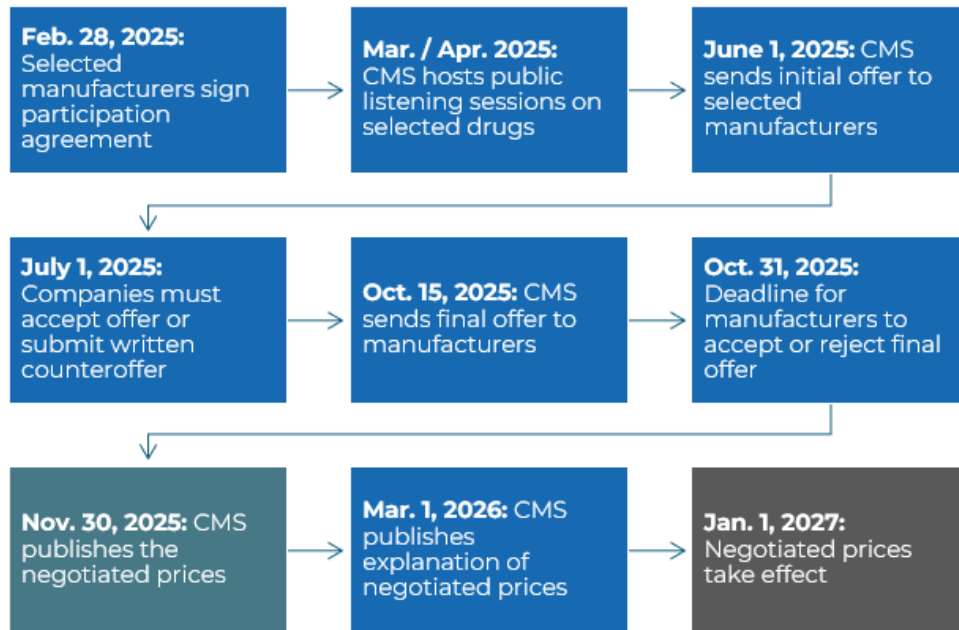
We should also note that, as shown above, the left side of the tail across the range of potential outcomes is more pronounced than the upside risk based on last year's experience, with CBO's own [estimates](#) anticipating a ~25%+ reduction in GLP-1 net prices.

				CY24 / CY26 IRA REDUCTIONS APPLIED			
COMPANY	PRODUCT	YEARS ON MARKET	EST. CY27 PART D REVS	MINIMUM	MEDIAN	AVERAGE	MAXIMUM
ABBV	Linzezz	14.3	\$602 M	\$247 M	\$506 M	\$467 M	\$609 M
ABBV	Vraylar	11.3	\$1.2 B	\$498 M	\$1.0 B	\$941 M	\$1.2 B
AMGN	Otezla	12.8	\$420 M	\$316 M	\$345 M	\$347 M	\$381 M
Astellas	Xtandi	14.3	\$2.4 B	\$1.8 B	\$1.9 B	\$2.0 B	\$2.2 B
AZN	Calquence	9.2	\$988 M	\$406 M	\$831 M	\$767 M	\$999 M
BHC	Xifaxan	22.6	\$839 M	\$286 M	\$587 M	\$538 M	\$692 M
BMJ	Pomalyst	13.9	\$145 M	\$109 M	\$119 M	\$120 M	\$132 M
GSK	Trelegy Ellipta	9.3	\$1.8 B	\$751 M	\$1.5 B	\$1.4 B	\$1.8 B
GSK	Breo Ellipta	13.7	\$255 M	\$192 M	\$209 M	\$211 M	\$231 M
MRK	Janumet, Janumet XR	19.8	\$3 M	\$960 K	\$2 M	\$2 M	\$2 M
NVO	Ozempic, Rybelsus, Wegovy	9.1	\$8.9 B	\$3.4 B	\$7.0 B	\$6.4 B	\$8.4 B
PFE	Ibrance	11.9	\$701 M	\$288 M	\$590 M	\$544 M	\$709 M
TEVA	Austedo, Austedo XR	9.8	\$2.1 B	\$852 M	\$1.7 B	\$1.6 B	\$2.1 B
TOTAL	--		\$20.3 B	\$9.1 B	\$16.4 B	\$15.4 B	\$19.5 B

Source: CMS, Capitol Policy Partners

Nor is the negotiated rate likely to be confined only to NVO, in CBO's reasoning, which notes that it "expects that the [negotiated] reduction in the price of semaglutide will affect the prices of other AOMs, such as [LLY's] Zepbound. As a result, federal Part D spending per user of AOMs will decrease by roughly one-third."

CY25 / CY27 NEGOTIATION PROCESS

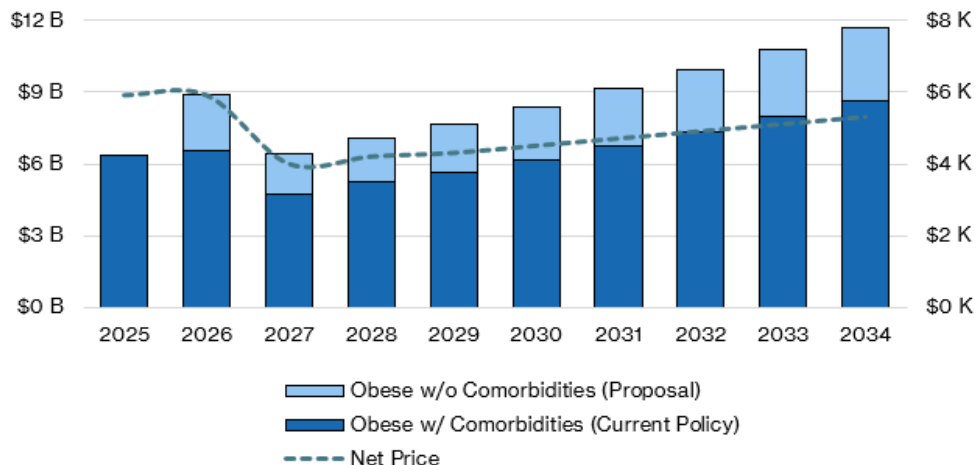


Silver Lining Via Medicare Coverage Expansion

As we've previously [outlined](#), we suspect that incoming President Trump *is* likely to finalize the Biden proposal to allow Medicare, but *require* Medicaid, to cover anti-obesity medications (AOMs) for that indication, as opposed to only for "medically accepted indications," such as Type 2 diabetes (T2D), cardiovascular disease (CVD), or obstructive sleep apnea (OSA). The comment period for that proposal is due to close on Jan. 27, though we would expect widespread endorsement and only tepid pushback from insurers and / or public health groups.

As noted by both CMS and CBO, however, the coverage expansion itself is likely to be only incremental relative to those Medicare beneficiaries that are *already* covered under current policy (i.e., obese with T2D, CVD, OSA), growing the pool of likely users by ~35% (~400K). However, in layering in the CBO estimates cited above with CMS's own assumptions, the chart above demonstrates that while this will likely lead to a significant uptick in Medicare AOM sales next year – assuming a Jan. 1, 2026 start date – those benefits are nearly entirely eroded by anticipated price negotiations.

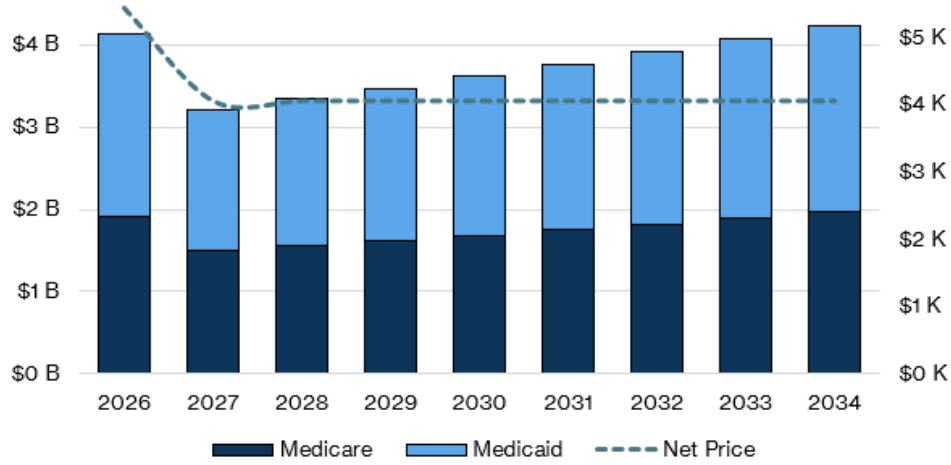
Medicare AOM Sales & Net Price



Source: CBO, CMS, Capital Policy Partners

This is notable insofar as we had previously estimated the combined Medicare and Medicaid coverage expansion as providing a 2%-3% revenue tailwind, but with the potential for negotiation to serve as a 3%-4% *headwind*, the latter risks eroding the positive implications of the former.

Incremental Medicare + Medicaid AOM Sales Est.



Source: CBO, CMS, Capitol Policy Partners

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