4511 North Himes Ave., Suite 250
Tampa, FL 33614

(800) 717-3117
(813) 872-7835
Fax: (813) 873-7838

info@obesityaction.org
www.ObesityAction.org

Michael Chernew, Ph.D.
Chairman
Medicare Payment Advisory Commission
425 I Street, NW, Suite 701
Washington, DC 20001

September 18, 2024

Dear Dr. Chernew,

The OAC is the leading national non-profit dedicated to serving people living with obesity through awareness, support, education, and advocacy. Our vision is to create a society where all individuals are treated with respect and without discrimination or bias regardless of their size or weight. We strive for those affected by the disease of obesity to have the right to access safe and effective treatment options. OAC has a strong and growing membership of more than 85,000 individuals across the United States.

We are writing to offer input regarding the Medicare Payment Advisory Commission's (MedPAC's) ongoing discussions surrounding Medicare's overall financial situation, particularly as it relates to the potential impact of GLP-1 medications and other treatments on long-term Medicare spending. We greatly appreciate MedPAC's efforts, including the recent session held on September 5th, which reviewed a draft of the "Context" chapter outlining Medicare payment policy and financing.

The discussion during the session raised key issues related to factors driving Medicare's spending growth. Notably, the commissioners emphasized the need for additional data on the Medigap program, the importance of team-based care, and the potential impact of GLP-1 drugs on future Medicare expenditures. We agree these issues will continue to be crucial as MedPAC develops its recommendations for the March report to Congress.

As you continue your deliberations, we respectfully urge MedPAC to consider the following points in your March report to Congress.

GLP-1 Treatments and Medicare Spending

Emphasis on the upfront cost of GLP-1 drugs to Medicare misses a critical point: the potential for far greater healthcare expenses if chronic diseases go untreated. Providing comprehensive care, including access to GLP-1 medications, could help avert these escalating costs. GLP-1s have demonstrated significant potential in improving the management of chronic conditions such as

diabetes, cardiovascular disease, obesity, and sleep apnea—offering substantial long-term savings for Medicare.

For example, in 2017, complications from diabetes cost over $37 billion among Medicare beneficiaries 65 and older with type 2 diabetes.[1] Ignoring the impact of chronic disease while considering the upfront cost of GLP-1 treatment misses the bigger picture. Growing evidence shows these medications are highly effective in treating and preventing chronic diseases.

Recent topline data on tirzepatide (Zepbound® and Mounjaro®) showed that weekly injections (5 mg, 10 mg, 15 mg) reduced the risk of progressing to type 2 diabetes by 94% in adults with pre-diabetes and obesity, compared to a placebo. [2] If MedPAC focuses solely on the cost of GLP-1 drugs without considering the long-term benefits of preventing chronic disease, it may negatively influence coverage and access to these vital treatments.

Obesity is another critical example. Economists from the Joint Economic Committee (JEC) estimate that in 2023 alone, obesity will result in an average annual excess medical cost of $5,155 for each person with obesity or a staggering $520 billion in additional healthcare expenses for the year. [3] Over the next decade, combined Medicare and Medicaid spending on obesity and related diseases is expected to soar to $4.1 trillion. [4]

Despite the significant costs associated with obesity, Medicare does not currently cover FDA-approved obesity medications, including GLP-1s, even though it fully covers treatments for other chronic conditions such as diabetes, hypertension, and lipid disorders. Additionally, Medicare's coverage for intensive behavioral therapy for obesity is limited to primary care settings, effectively excluding a range of specialized providers such as nutritionists, obesity medicine specialists, endocrinologists, bariatric surgeons, psychiatrists, and clinical psychologists who focus on obesity treatment.

These restrictive policies were established when FDA-approved obesity therapies were not widely available, and obesity was often viewed as a lifestyle choice rather than a chronic disease. However, in the past decade, more than two dozen leading health organizations, including the Obesity Action Coalition, the Obesity Society, the Obesity Medicine Association, and the American Medical Association, have recognized obesity as a serious chronic disease. At the same time, significant advancements in science and medicine have led to the development of effective obesity medications.

Researchers at the Schaeffer Center used the Future Adult Model (FAM) to estimate the potential benefits of Medicare coverage for modern obesity medications, including GLP-1 medications. Their analysis suggests that covering these medications could save Medicare between $175 billion and $245 billion in the first 10 years alone, excluding the costs of the drugs.[5] Over 30 years, these savings could grow to between $704 billion and $1.5 trillion, emphasizing the importance of long-term analysis.[6

Future Drug Pricing and Generic Competition

The market for GLP-1 medications is expected to change as competition from both new therapies and generics emerges, leading to lower prices. We encourage MedPAC to consider this long-term view when assessing the cost burden to Medicare of covering GLP-1s. As more affordable generic versions become available, beneficiaries will gradually switch to them, reducing the financial pressure on programs like Medicare.

Many studies have estimated the budget impact of covering new medications, but few account for how drug prices change over time. Recent SSR Health data suggests that GLP-1 medications used in treating diabetes and obesity have rebates ranging from 48-79% off list prices—significantly higher than what is commonly used in the cost-benefit analyses for these medications.[7] Additionally, these rebates are expected to grow as more drugs enter the market and competition for formulary placement increases.

This pattern is not unique to GLP-1s— In one study, the introduction of new brand-name therapies reduced net commercial spending on existing therapies by 18.5 percent. [8] HIV treatments that once cost over $1,000 per month in 1998 are now available as generics for less than $69 per month. Similar trends occurred with treatments for hypertension, cholesterol, hepatitis C, and other conditions. Over time, the value provided by new medications outweighs their initial cost. Policies that limit access to these treatments early create unnecessary barriers to care for people living with complex chronic diseases like obesity.

Cost Savings in the March Report

OAC urges MedPAC to examine the potential cost savings from the effective use of GLP-1 drugs, taking into account future competition and the evolving landscape of chronic disease management. In particular, we recommend the commission collect and analyze additional data on access to and the effectiveness of comprehensive care and treatment options for these conditions. We believe that considering the long-term savings potential of GLP-1 treatments and similar therapies will contribute to a more sustainable Medicare program while improving patient outcomes.

Thank you for your continued work to ensure the financial health of Medicare.Please reach out to Dr. Tracy Zvenyach, PhD, at tzvenyach@obesityaction.org with any questions.

Sincerely,

Joe Nadglowski, President & CEO
Obesity Action Coalition

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[2] Lilly News Release. Tirzepatide Reduced the Risk of Developing Type 2 Diabetes by 94% In Adults with Pre-Diabetes and Obesity or Overweight. August 20, 2024. Available: https://investor.lilly.com/news-releases/news-release-details/tirzepatide-reduced-risk-developing-type-2-diabetes-94-adults.

[3] Cawley et al., "Direct Medical Costs of Obesity in the United States and the Most Populous States."; JEC economists updated Cawley et al.'s 2011–2016 estimate of the excess medical costs attributable to obesity (separating estimates for Class I and Class II from Class II and incorporating the projected population shares of persons suffering from each condition) for inflation and the annual trend of obesity-healthcare cost increases.

[4] https://www.jec.senate.gov/public/_cache/files/1101b032-7b43-4ec5-872f-dba2fc8998e8/the-2023-joint-economic-report.pdf

[5] Benefits of Medicare Coverage for Weight Loss Drugs – USC Schaeffer

[6] Ibid

[7] Ippolito, B.N. and J.F. Levy, *Estimating the Cost of New Treatments for Diabetes and Obesity.* 2023.

[8] Dickson, S., N. Gabriel, and I. Hernandez, *Changes In Net Prices And Spending For Pharmaceuticals After The Introduction Of New Therapeutic Competition, 2011–19: Study examines pharmaceutical net prices and spending after the introduction of new therapeutic competition.* Health Affairs, 2023. **42**(8): p. 1062-1070.