EXECUTIVE INSIGHTS

Putting Medical Costs on a Diet: Why Payers Have the Cost of GLP-1s All Wrong

Covering chronically obese patients for persistent GLP-1 use can save $28K-$30K in the first two years of use

This edition of L.E.K. Consulting's *Executive Insights* will explore how payers should strategize their approach to glucagon-like peptide-1 agonists (GLP-1s) as they weigh rising consumer demand and increasing pharma supply with recognition of longer-term return on investment (ROI) opportunity.

GLP-1s are on a high and not going anywhere

Public awareness and patient adoption of GLP-1 and gastric inhibitory polypeptide (GIP) agonists have grown in the past couple of years as these medications evolved from Type 2 diabetes treatments to highly effective weight loss drugs approved by the Food and Drug Administration (FDA). As popularity and demand continue to rise for GLP-1s, so do costs[1] — on both a per-unit and total-spend basis. For example, the annualized cost for Ozempic was around $9K in 2020. That has risen to $10K-$12K as of 2023.

GLP-1s are not going anywhere — pharma manufacturers continue to evolve their GLP-1/GIP product offerings (e.g., Eli Lilly's Zepbound is the newest on the market), and the number of addressable indications is increasing (e.g., recent clinical evidence that may merit further FDA approval of GLP-1s for cardio-metabolic, nephrological and neurological indications). America's obesity epidemic does not seem to be fading, either, with obesity prevalence[2] in the

U.S. increasing from about 31% in 1999 to roughly 42% in 2023.[3] Amid rising demand, payers are grappling with whether and how to provide access to these drugs while balancing near-term costs and long-term savings potential.

Payer coverage of GLP-1s is restricted and limited today

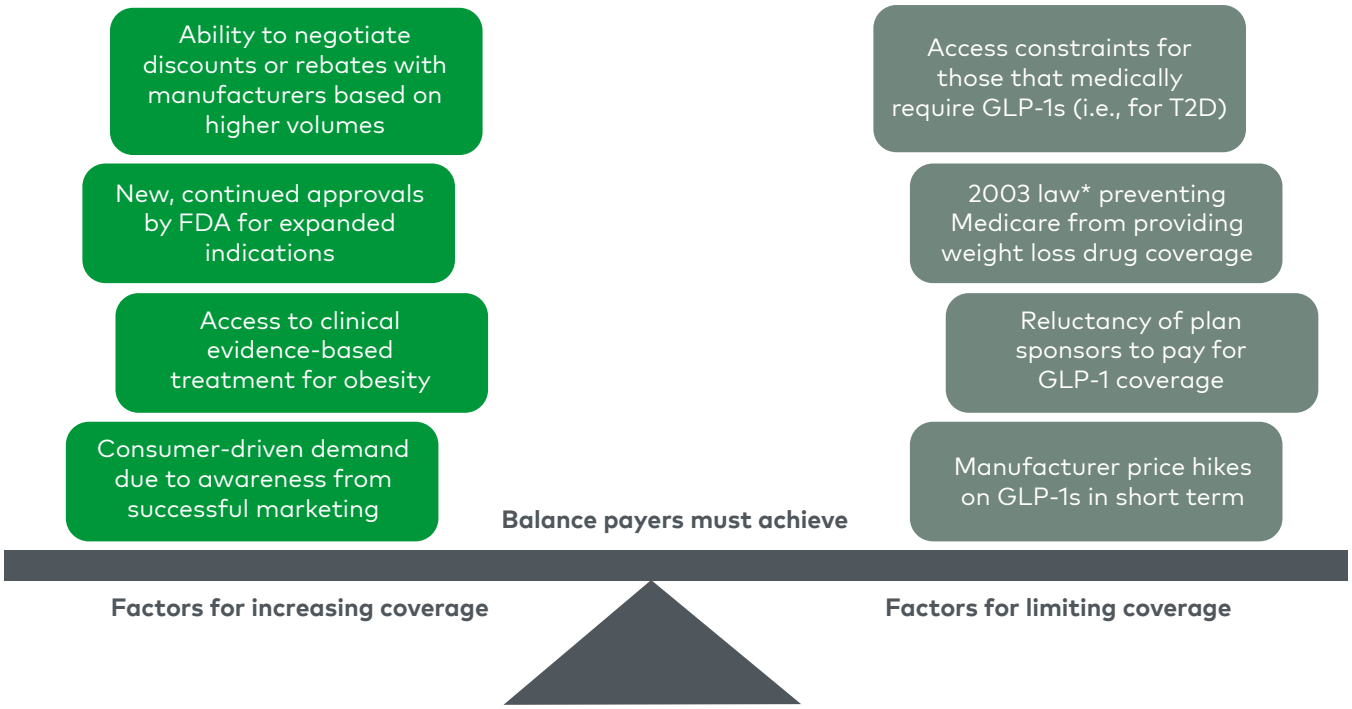
Today, commercial coverage of GLP-1s is limited and government coverage of GLP-1s is off-limits for weight loss. Following in Medicare Part D's footsteps,[4] commercial insurers have traditionally covered GLP-1s only for Type 2 diabetes diagnoses, while largely denying coverage for weight loss.[5] Estimates suggest that if Medicare were to cover Ozempic for weight loss, it could cost the program $14 billion to $27 billion per year, or about 3% of Medicare's 2022 spending.[6]

Few commercial payers cover GLP-1s for weight loss alone (e.g., some Blue Cross Blue Shield plans[7] cover Wegovy), and only for certain plans/tiers and if stringent criteria are met (e.g., body mass index (BMI) above a certain threshold). In an attempt to curb GLP-1 prescriptions for weight loss and control rising costs, commercial plans have increased GLP-1 prior authorization requirements (e.g., step therapy). However, this approach has also impacted Type 2 diabetes patients' access to GLP-1s by requiring some patients to try other diabetes treatments (e.g., blood sugar regulators such as sodium-glucose cotransporter-2 inhibitor Brenzavvy and dipeptidyl peptidase-4 inhibitor Onglyza) before GLP-1 approval.[8]

Payers' hesitation to cover GLP-1s for weight loss is also fueled by employer plan sponsor concerns about up-front costs of the drugs. Widespread access to GLP-1s for weight loss would be financially unsustainable for many employers. Estimates show that the typical employer could experience around a 50% increase in drug spend if half of the employees eligible for Wegovy were to take the drug.[9]

Employers have largely attempted to avoid these cost increases, with a 2023 Accolade survey finding that approximately 60% of employers do not intend to cover GLP-1s in 2024.[10] However, there are emerging indications that employer sentiment may be shifting, as the survey also found that roughly 80% of human resources decision-makers expressed interest in expanding coverage for GLP-1s. At present, there is a balance payers must achieve across a variety of influencing factors on whether to cover GLP-1s (see Figure 1).

Figure 1
Current influencing factors in favor of and opposed to limiting coverage



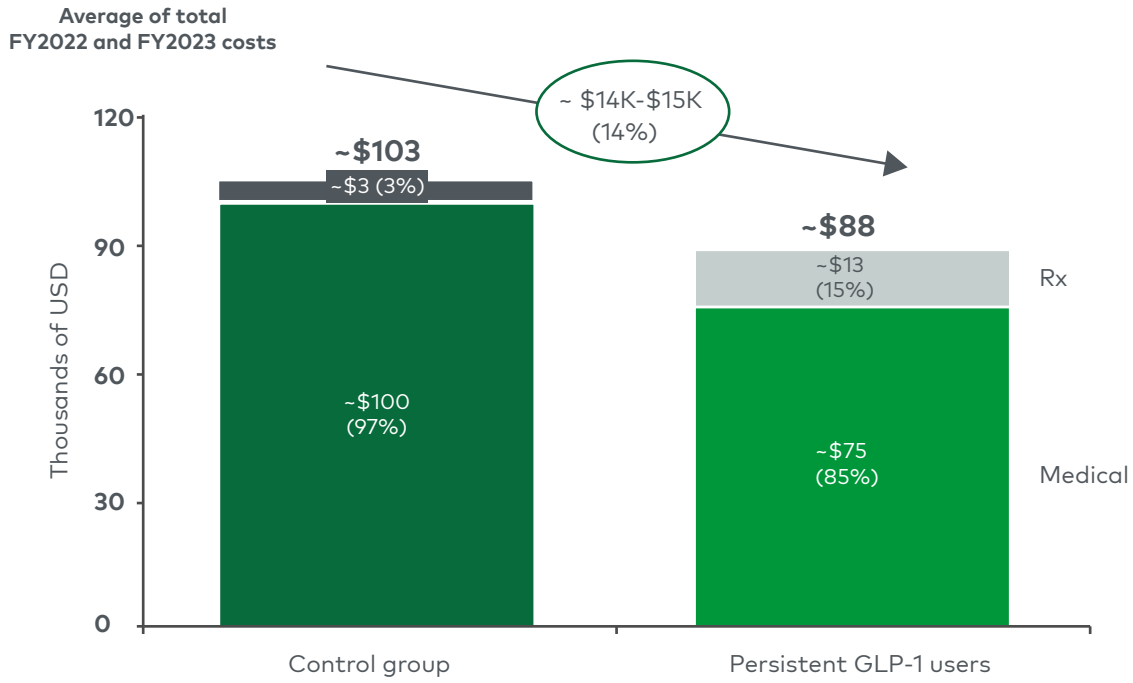
*Medicare Prescription Drug, Improvement, and Modernization Act of 2003
Note: FDA=Food and Drug Administration; GLP-1=glucagon-like peptide-1 agonist; T2D=Type 2 diabetes
Source: L.E.K. research and analysis

But it's a long-term play: Payers must analyze and establish longer-term ROI

Even if payers actively want to keep up with the wave of demand for GLP-1s to treat obesity, they ultimately must convince plan sponsors to buy in. To do this, payers need to assess the long-term ROI of GLP-1s, including the benefits of reduced spend on high-cost comorbidities. Following Medicare's recent Part D guidance, as of March 2024, some major payers have already taken a step to extend coverage of Wegovy to a subset of obese patients with cardiovascular disease who are insured under their Medicare Advantage plans.[11]

L.E.K. analyzed commercial claims data (see Figure 2) and found that persistent GLP-1 users had $14K-$15K (about 14%) lower average annual total cost of care in the first one to two years of use compared with chronically obese patients who never tried GLP-1s.

Figure 2
Claims-based total cost of care comparisons across different cohorts of chronically obese GLP-1 users



Note: GLP-1=glucagon-like peptide-1 agonist; Rx=prescription
Source: L.E.K. research and analysis using Sentinel claims data

Access to medications and affordability of GLP-1s are in payers' hands

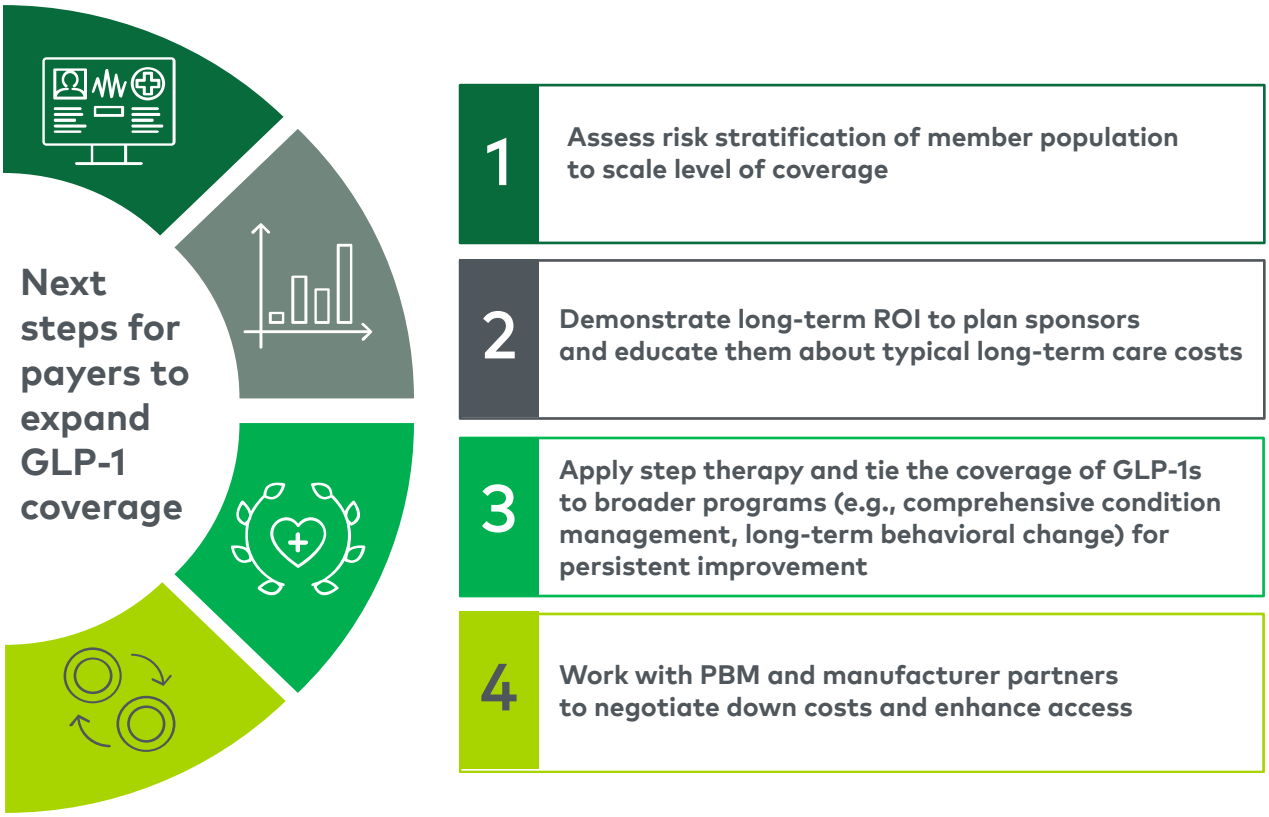
Without adequate payer coverage for GLP-1s, individuals who could benefit from these medications will have to pay out of pocket (OOP). However, with OOP costs for GLP-1s often exceeding $10K per year, this option is unrealistic for most.[12] While higher-income individuals may manage to afford GLP-1s OOP, lower-income individuals — who are more likely to be affected by obesity — will face significant access barriers. Likewise, certain racial groups (e.g., Hispanic, non-Hispanic Black)[13] are often more affected by obesity and more likely to have lower incomes relative to other groups (e.g., white, Asian).[14]

Thus, inadequate payer coverage will have a disproportionate impact on those demographics with greater obesity prevalence and lower incomes, further driving health inequity.

What should payers do instead?

Payers that decide to expand GLP-1 coverage should follow four key steps (see Figure 3).

Figure 3
Payer next steps to enable effective GLP-1 coverage expansion



Note: GLP-1=glucagon-like peptide-1 agonist; ROI=return on investment; PBM=pharmacy benefit manager
Source: L.E.K. research and analysis

1. **Assess risk stratification of member population.** In order to limit GLP-1 costs and prioritize the cohorts most at risk, payers should develop a risk stratification rubric to segment and prioritize patients for GLP-1 weight loss coverage in cases where it is medically necessary and/or where cost of care can be lowered the most.
   - Key metrics (e.g., BMI, blood pressure, biometric results (HDL/LDL, triglycerides), large waist size, exercise/diet levels) could be weighted and scored to assign cutoff thresholds for risk tiers that receive different levels of coverage; for example, highest-risk members in tier 1 could be covered with a $0 copay, while slightly lower-risk members in tier 3 could have some coverage but a greater copay.[15]
2. **Demonstrate long-term ROI to plan sponsors.** Payers should provide claims analyses of the cost of long-term care associated with obesity and related comorbidities relative to the current price tag of GLP-1s for the employer's covered population to validate the preemptive savings an employer would achieve by opting to cover GLP-1s.

3. **Apply step therapy and tie GLP-1 coverage to broader condition/change management programs for persistent change.** GLP-1s are intended to be utilized alongside healthy lifestyle changes, and without them can leave an individual vulnerable to reverting once they cease GLP-1 treatment (e.g., after one to two years due to side effects);[16] furthermore, lifetime coverage of GLP-1s can greatly inflate plan sponsor expenses and be unsustainable. As such, payers should consider:
   - Starting members on tailored weight loss solutions before authorizing GLP-1 treatment coverage[17]
   - Covering holistic programs inclusive of GLP-1 therapies
   - Including conditional terms that provide short-term coverage for GLP-1 patients and transition patients on to longer-term sustainable programs, such as:
     - Newtopia's GLP-1 Sustain is a habit-changing platform that ensures short-term GLP-1 benefits last through long-term change, supporting an eventual positive ROI.[18]
     - Omada for Prevention is rooted in Evernorth's broader SafeGuardRx Weight Management Care Value and Diabetes Care Value program, which combines GLP-1 treatment with a digital, tailored behavior change program to create lasting weight loss with a positive longer-term ROI.[19]
     - Virta Health, with its telemedicine nutrition therapy program combined with GLP-1 treatment, has clinically demonstrated its ability to keep patients from weight gain following GLP-1 deprescription; uniquely, the program reimburses payers should patients not achieve and then maintain weight loss following deprescription, allowing payers to avoid losses.[20]

4. **Work with pharmacy benefit manager (PBM) and manufacturer partners to negotiate down costs and enhance access.** Health plans should work alongside PBMs and GLP-1 manufacturers to drive down costs, unlock rebates to further mitigate cost challenges and enhance drug commercialization (e.g., joint production partnerships, marketing partnerships).

Overall, payers will need to take a collaborative and cooperative approach across provider, PBM, manufacturer and third-party condition management program stakeholders to effectively expand coverage to members. Payers should also consider the range of coverage expansion options available that best optimize the cost to plan sponsors while providing members access to these revolutionary GLP-1 drugs.

Conclusion

As payers prepare their go-forward strategies, L.E.K. Consulting's Healthcare Services practice continues to perform work across this space to help clients navigate uncertainties and growth opportunities. With our knowledge and expertise, we can help develop strategic solutions that fit your needs for commercial excellence and growth in the years ahead.

The authors would like to thank Kristin Kelly for her contributions to this piece.

For more information, please **contact us**.

Endnotes

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