HECCD
Health Equity Coalition for Chronic Disease

Coverage of AOMs is Cost-Effective and a Smart Investment

June 2024

The cost of inaction on obesity care is over $100 billion a year.

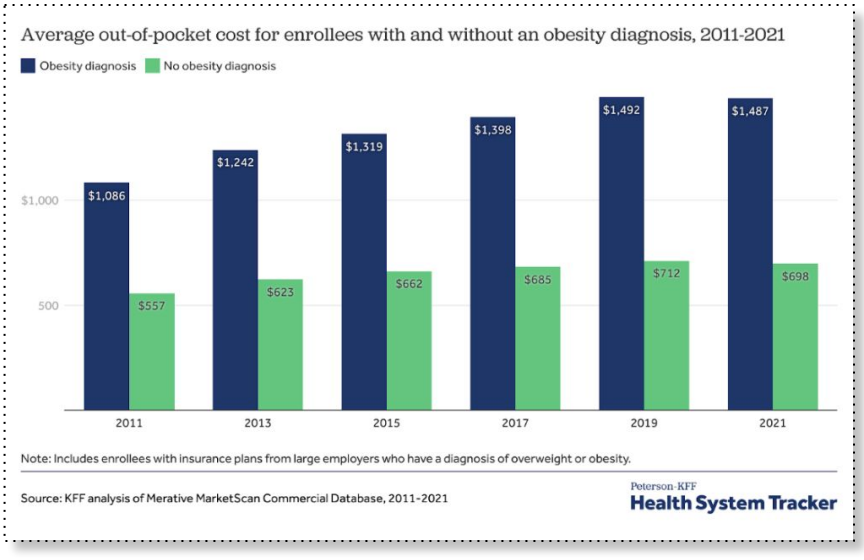
Obesity is a chronic disease with enormous impacts on a person's health that also increases economic challenges for patients and their dependents. The standard of care in obesity medicine has improved dramatically in recent years. In addition to intensive behavioral therapy and bariatric surgery, there are now more non-surgical alternatives. Access to these treatments is limited by insurance.

Rather than focusing on what can be gained by increasing access to treatment, the current policy conversation is overly focused on the cost of treatment alone and not the savings associated with treatment. Providing coverage to treat the disease of obesity will ultimately drive down costs for patients and our health care system. Obesity treatment is an investment in the well-being and health of patients, their families, and their caregivers, as well as the American economy. Policies that continue to pose barriers to treatment impose devastating costs on the health care system, the economy, and people living with the disease of obesity. This must change.

Obesity Leads to Significant Financial Strain on Individuals Living with the Disease

People living with obesity earn less and are also less likely to be hired—the impact of which is most stark for women living with the disease. While U.S. law protects against workplace discrimination on the basis of race, religion, age, and gender, discrimination on the basis of weight is legal. This kind of discrimination and stigma is not uncommon and has a significant financial impact on people with obesity and their families. The cost to individuals of living with the disease of obesity has reached record highs. For those with insurance, out-of-pocket expenses, particularly copays and high deductibles for the range of treatments available for the disease of obesity, pose a significant financial burden on patients.

This burden is compounded by additional out-of-pocket costs for the treatment of common comorbid conditions, such as diabetes, hypertension, and musculoskeletal pain and dysfunction. Out-of-pocket health care costs for patients diagnosed with obesity rose by 37% over the last decade—and that's just for those with private insurance. Sadly, many Americans' insurance provides little to no coverage for leading obesity treatments.



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Costs of Obesity on the Health System are Devastating and Growing

In 2016, an estimated 180.5 million people—or 60.7 percent of the U.S. population ages 2 and over—had obesity or overweight; as a result, the total cost of chronic diseases due to the disease of obesity and overweight was $1.72 trillion—which is equivalent to 9.3 percent of the U.S. gross domestic product.

Obesity places a tremendous strain on the healthcare system. The Centers for Disease Control and Prevention (CDC) reports that annual medical costs for adults with obesity were $1,861 higher per person compared to adults without obesity or overweight. Further, annual medical costs increased with the severity of the disease. For adults with severe obesity, annual costs were an additional $3,097 per person. The average one-year cost of coverage for a patient with obesity was $56,468, compared to the average cost of $4,674 for the other 90% of patients. A study in the Journal of Managed Care and Specialty Pharmacy showed "the effects of obesity raised costs in every category of care: inpatient, outpatient, and prescription drugs."

"The effects of obesity raised costs in all major categories of medical care ... which represents an economic rationale for government intervention."

-*Cawley et al. Journal of Managed Care and Specialty Pharmacy*

Coverage of Obesity Care would Save Lives and Resources

Disparities in access to medically necessary obesity treatments is a major health equity issue. If all eligible Americans were able to access weight-loss therapies to treat obesity, the resulting reduced disability and pain could enable society to reap as much as $100 billion per year of social benefit in the form of reduced healthcare spending and improvements in quality of life.

Coverage of obesity care would profoundly reduce costs to the healthcare system. A reduction in the prevalence of obesity would reduce the prevalence of the numerous comorbidities linked to obesity. Comorbidities themselves have enormous costs: direct medical costs for diabetes totaled $306.6 billion in 2022, and loss of income due to cardiovascular disease (heart attack or strokes) cost a total of $266.9 billion in 2018.

Furthermore, providing coverage upon a diagnosis of obesity for necessary and standard-of-care treatments will improve outcomes and address the related comorbidities —thereby reducing the overall costs to payors—whether that is the federal government or a private insurer.

A USC Schaeffer Center white paper, "Benefits of Medicare Coverage for Weight Loss Drugs," finds that, "in the first 10 years alone, Medicare coverage of weight-loss therapies would save the program $175 billion" (and up to $248 billion if private insurance would also cover the treatments). "Over 60% of these savings would accrue to Medicare Part A by reducing hospital inpatient care demands and the demand for skilled nursing care. Given these findings, policymakers should consider the societal benefits of lifting the moratorium on Medicare coverage for weight-loss drugs."

New Information on the Actual Costs of Anti-Obesity Medications

Too often we see analyses that overestimate the costs of anti-obesity medicines (AOMs) to the health care system and to patients. News articles and analyses often frame the discussion by suggesting that the ultimate cost of AOMs is their list price. For example, a recent Kaiser Family Foundation analysis used gross costs, without considering commonly used rebates or other price concessions which lower costs. However, it is well known that manufacturers negotiate price concessions or offer rebates which reduce the cost for payers.

Net Price vs. List Price

Research conducted by Benedic N. Ippolito, an economist at the American Enterprise Institute (AEI), and Joseph F. Levy, a health economist at Johns Hopkins Bloomberg School of Public Health, estimated the net prices of various AOMs. For Wegovy, the estimated net price is around $700 a month which is $650 less than the list price.

The number of specialized AOM products available is only growing. This class of medications is increasingly competitive with new therapies expected to enter the market over the next several years.

> *"My prediction is that as competition increases, prices will decrease accordingly."*
>
> -*Jalpa Doshi*
> *professor of medicine and director of the economics evaluation unit at The University of Pennsylvania*

CMS Has Tools to Manage Costs

Drug utilization management tools are used by Medicare to help ensure cost-effective use of prescription drugs. This point is often left out of the debate over Medicare coverage of AOMs. A recent Kaiser Family Foundation study found that of the few Marketplace plans that cover GLP-1 drugs approved for obesity, all require prior authorization. Medicare plans would likely use prior authorization and other utilization management tools. In addition, the Inflation Reduction Act (IRA), enacted in 2022, empowers Medicare "to negotiate prescription drug prices directly with drug companies, similar to the U.S. Department of Veterans Affairs and other federal agencies that already negotiate drug prices."

Medicare Prohibition is Inequitable

Medicare's prohibition on coverage of "weight loss" drugs, as directed by the Medicare Modernization Act, is based on an outdated understanding of obesity. When this statute was passed over 20 years ago, it was believed that obesity was based on individual choices and the pharmaceutical interventions that were available at the time were either ineffective or outright dangerous. Today, medications for the treatment of obesity have improved significantly and our understanding of the science of obesity has evolved. The American Medical Association (AMA) and science are clear–obesity is a chronic disease.

Medicare currently provides coverage for some GLP-1s to treat comorbidities associated with obesity. Under current policy, Medicare covers GLP-1s for diabetes, and Wegovy for the treatment of cardiovascular disease and overweight. However Medicare will not cover these treatments solely for obesity. Thus, the patients who are excluded from treatment are those with obesity and no other qualifying health conditions. This is deeply troubling from a health equity perspective, as this policy tells patients they must get sicker before Medicare will pay for the treatment.

Legislative Solution

The *Treat and Reduce Obesity Act* (TROA) is a bipartisan solution that would respond to developments in the scientific understanding of and treatment for obesity. The bill would allow Medicare to cover FDA approved therapies such as AOMs and expand coverage for screenings and treatment from providers specializing in obesity care.

Saving Lives is Worth the Cost of Coverage

The cost of inaction is catastrophic for both individuals and our health care system. Providing Medicare coverage for the full continuum of care – including anti-obesity medications (AOMs) and intensive behavioral therapy (IBT) – is an important investment for Medicare beneficiaries and our health care system.

As the Office of Personnel Management stated when providing AOM coverage for federal employees, "Obesity disproportionately affects some ethnic and/or racial groups with non-Hispanic Black adults having the highest prevalence, followed by Hispanic adults."

Medicare's outdated, misinformed and biased prohibition on weight-loss medications must change.

"Black Americans are paying the price with their lives."

-Dr. Virginia A. Caine,
How we can bridge the obesity-care gap for Black Americans

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The Health Equity Coalition for Chronic Disease (HECCD) is an advocacy coalition established to eliminate barriers to quality healthcare, particularly focusing on chronic disease by lifting the voices in communities of color and marginalized communities. HECCD is co-chaired by the Black Women's Health Imperative, the National Hispanic Medical Association, and the National Minority Quality Forum. Beginning with a focus on policies that impact obesity, HECCD is committed to disease prevention and management and equitable health outcomes.

Learn about the Health Equity Coalition for Chronic Disease and our partners at

www.HealthEquityAction.org

ABC Association of Black Cardiologists, Inc. Saving the Hearts and Minds of a Diverse America
BLACK WOMEN'S HEALTH IMPERATIVE
CHOOSE HEALTHY LIFE
CBH Council on Black Health Reimagining Black Health
LEAGUE of UNITED LATIN AMERICAN CITIZENS
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