Congressional Budget Office
Nonpartisan Analysis for the U.S. Congress

The Federal Perspective on Coverage of Medications to Treat Obesity: Considerations From the Congressional Budget Office

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Noelia Duchovny
Health Analysis Division

For more information about the event, see www.nationalacademies.org/our-work/roundtable-on-obesity-solutions/events.

CBO’s Role in the Policymaking Process

What Is CBO's Purpose?

CBO was created by the Congressional Budget and Impoundment Control Act of 1974.

CBO was established to give the Congress a stronger role in budget matters.

The agency provides analysis of budgetary and economic issues that is objective and impartial. It is strictly nonpartisan and does not make policy recommendations.

CBO follows processes that are specified in statute or that it has developed in concert with the Budget Committees and Congressional leadership. CBO's chief responsibility under the Budget Act is to help the Budget Committees with the matters under their jurisdiction.

What Information Does CBO Generally Provide to the Congress?

- **Baseline projections**—projections of federal spending and revenues under current law that help the Congress formulate its budget plan.
- **Cost estimates**—estimates of legislative proposals' effects on the federal budget that help the Congress stay within its budget plan.
- **Identification of federal mandates** (requirements that legislation imposes on state, local, or tribal governments or on private-sector entities) and estimates of their costs.
- **Scorekeeping information**, including estimates of the effects of proposed and enacted legislation on the major categories within the budget (appropriations, mandatory spending, and receipts).
- Estimates of the economic and budgetary effects of **policy options**.

What Does CBO Not Do?

- **Make policy recommendations.** CBO is strictly nonpartisan and makes no judgments about the merits of legislative proposals.
- **Write legislation.** Instead, CBO analyzes different proposals and options.
- **Implement programs or regulations or enforce budget rules.** The Budget Committees, other federal agencies, and the Office of Management and Budget are responsible for those roles.
- **Audit operations of government programs.** That is the role of the Government Accountability Office.

CBO's Estimates Have Certain Characteristics

The estimates focus on the next 10 years but sometimes look 20 years or more into the future.

They reflect the middle of the distribution of likely outcomes.

They incorporate behavioral responses to the extent feasible, on the basis of the available evidence.

They may be updated to reflect new information and may change as a result.

And they include explanations of the analysis to the extent feasible.

CBO's Assessments Are Based on Detailed Analysis

CBO bases its assessments on:

- Detailed understanding of federal programs and revenue sources;
- Examination of the relevant research literature;
- Analysis of data reported by federal statistical agencies and other groups;
- Consultation with outside experts in academia, think tanks, industry groups, the private sector, and federal, state, and local agencies; and
- Discussion with CBO's Panel of Economic Advisers and Panel of Health Advisers.

CBO Makes Its Work Transparent in Different Ways

- Testifying and publishing answers to questions
- Explaining analytic methods
- Releasing data
- Analyzing the accuracy of its estimates
- Comparing current estimates with previous estimates
- Comparing its estimates with those of other organizations
- Estimating the effects of policy alternatives
- Characterizing uncertainty of estimates
- Creating data visualizations
- Conducting outreach

For additional information, see www.cbo.gov/about/transparency.

How Would Medicare's Coverage of Anti-obesity Medications Affect the Federal Budget?

Coverage of Treatments for Obesity Under Medicare

Medicare covers some treatments for obesity, including:

- Bariatric surgery,
- Behavioral counseling by primary care providers, and
- Obesity screenings and intensive behavioral therapy (IBT).

Part D plans, which cover retail prescription drugs, are prohibited from covering anti-obesity medications (AOMs) as part of the standard prescription drug benefit, according to the Medicare Prescription Drug, Improvement, and Modernization Act of 2003.

New AOMs belong to a class of drugs called glucagon-like peptide-1 (GLP-1) agonists, which were originally developed to treat diabetes. Part D plans do cover GLP-1 agonists for type 2 diabetes.

Recent Legislative Proposals to Allow Coverage of Anti-obesity Medications Under Medicare

The Treat and Reduce Obesity Act (TROA), most recently introduced in the 118th Congress, would allow Medicare Part D to cover drugs indicated for weight loss.

As previously introduced, TROA would expand coverage to beneficiaries who are obese or are overweight with one or more related comorbidities.

The act would also permit other health care providers or counseling programs to be paid by Medicare for IBT for obesity.

IBT = intensive behavioral therapy.

CBO's Analysis of Proposals to Allow Medicare Part D to Cover Anti-obesity Medications

CBO's analysis has two main components:

- The direct costs of the medications, and
- Potential offsetting budgetary savings associated with improved health outcomes.

CBO relies on the best available evidence and considers the full range of effects resulting from the use of AOMs.

CBO expects that at their current prices, AOMs would cost the federal government more than it would save from reducing other health care spending—which would lead to an overall increase in the deficit over the next 10 years.

Depending on the future prices of AOMs and their longer-term effects on the use of other health care products and services, the budgetary effect could change in later decades.

AOM = anti-obesity medication.

Determinants of Direct Costs: Use of Medications

CBO expects that Medicare coverage of AOMs would result in considerable demand for and use of AOMs by Medicare enrollees.

Use would be a function of:

- The number of enrollees eligible for coverage of AOMs,
- Use of AOMs among the eligible population, and
- The duration of their treatment.

AOM = anti-obesity medication.

Determinants of Direct Costs: Current Prices

The current price for a four-week supply of a GLP-1 AOM ranges from about $1,100 to $1,300.

The amount received by the manufacturer is usually reduced by discounts it pays to insurance plans and other payers.

If the drug was covered by Medicare as an AOM, some of its cost would be paid by the program's enrollees through higher premiums and cost-sharing.

AOM = anti-obesity medication; GLP-1 = glucagon-like peptide 1.

Determinants of Direct Costs: Future Prices

The future price trajectory of AOMs is highly uncertain.

- CBO expects semaglutide to be selected for price negotiation by the Secretary of Health and Human Services within the next few years, which would lower its price (and potentially the prices of other drugs in the AOM class).
- CBO expects generic competition for semaglutide and tirzepatide to start in earnest in the second decade of a policy allowing Medicare Part D to cover AOMs.
- New AOMs are expected to become available. The new drugs might be more effective, have fewer side effects, or be taken less frequently or more easily than current medications. Those improvements could translate to higher prices, on average, even if prices decline for drugs that exist today.

AOM = anti-obesity medication.

Effects on Other Health Care Spending

CBO is not aware of empirical evidence that directly links the use of AOMs to reductions in other health care spending.

Evidence from simulation models shows a reduction in spending on other types of health care as a result of the drugs' use.

CBO is also reviewing evidence about the effects of bariatric surgery.

AOM = anti-obesity medication.

For studies showing reductions in spending on other types of health care after treatment with AOMs, see Alison Sexton Ward and others, *Benefits of Medicare Coverage for Weight Loss Drugs* (Schaeffer Center White Paper Series, April 2023), https://www.doi.org/10.25549/4rf9-kh77; and Steven J. Atlas and others, *Medications for Obesity Management: Effectiveness and Value* (Institute for Clinical and Economic Review, October 20, 2022), https://tinyurl.com/3zzed26k. For examples of studies that examined health care spending following bariatric surgery, see Sonali Shambhu and others, "Long-Term Cost Outcomes Among Commercially Insured Patients Undergoing Bariatric Surgical Procedures," *Obesity Science & Practice*, vol. 10, no. 1 (February 2024), https://doi.org/10.1002/osp4.727; Andree Canakis and others, "Type 2 Diabetes Remission After Bariatric Surgery and Its Impact on Healthcare Costs," *Obesity Surgery*, vol. 33, no. 12 (2023), https://doi.org/10.1007/s11695-023-06856-0; Qing Xia and others, "Bariatric Surgery is a Cost-Saving Treatment for Obesity—A Comprehensive Meta-analysis and Updated Systematic Review of Health Economic Evaluations of Bariatric Surgery," *Obesity Reviews*, vol. 21, no. 1 (January 2020), https://doi.org/10.1111/obr.12932; Valerie A. Smith and others, "Association Between Bariatric Surgery and Long-Term Health Care Expenditures Among Veterans With Severe Obesity," *JAMA Surgery*, vol. 154, no. 12 (October 2019), e193732, https://www.doi.org/10.1001/jamasurg.2019.3732; and Jonathan P. Weiner and others, "Impact of Bariatric Surgery on Health Care Costs of Obese Persons: A 6-Year Follow-Up of Surgical and Comparison Cohorts Using Health Plan Data," *JAMA Surgery*, vol. 148, no. 6 (June 2013), pp. 555–561, https://www.doi.org/10.1001/jamasurg.2013.1504.

What New Research Would Be Especially Useful?

CBO continues to monitor trends in the use of AOMs, along with their prices, effects on health, and coverage by insurance plans.

Research on the following topics would be especially valuable:

- Factors affecting the use of AOMs, such as take-up rates and patients' adherence to drugs currently on the market; and

- Expectations about the prices and effectiveness of AOMs that are being developed.

Research on near- and long-term clinical impacts of AOMs (including health benefits or complications) and their effects on patients' use of, and spending on, other medical services would also be of particular interest.

AOM = anti-obesity medication.

For more details, see Congressional Budget Office, "A Call for New Research in the Area of Obesity," *CBO Blog* (October 5, 2023), www.cbo.gov/publication/59590.