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73rd Annual Roy A Bowers Conference
Innovating in a Time of Uncertainty

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Health Transformation Strategies

November 11, 2025

Agenda

- Today's Multi-Faceted Environment
  - Context
  - Recent Legislation
  - Administration
- Looking Toward the Future
  - CMS Innovation Center
  - Key Trends
  - Focus on the Future

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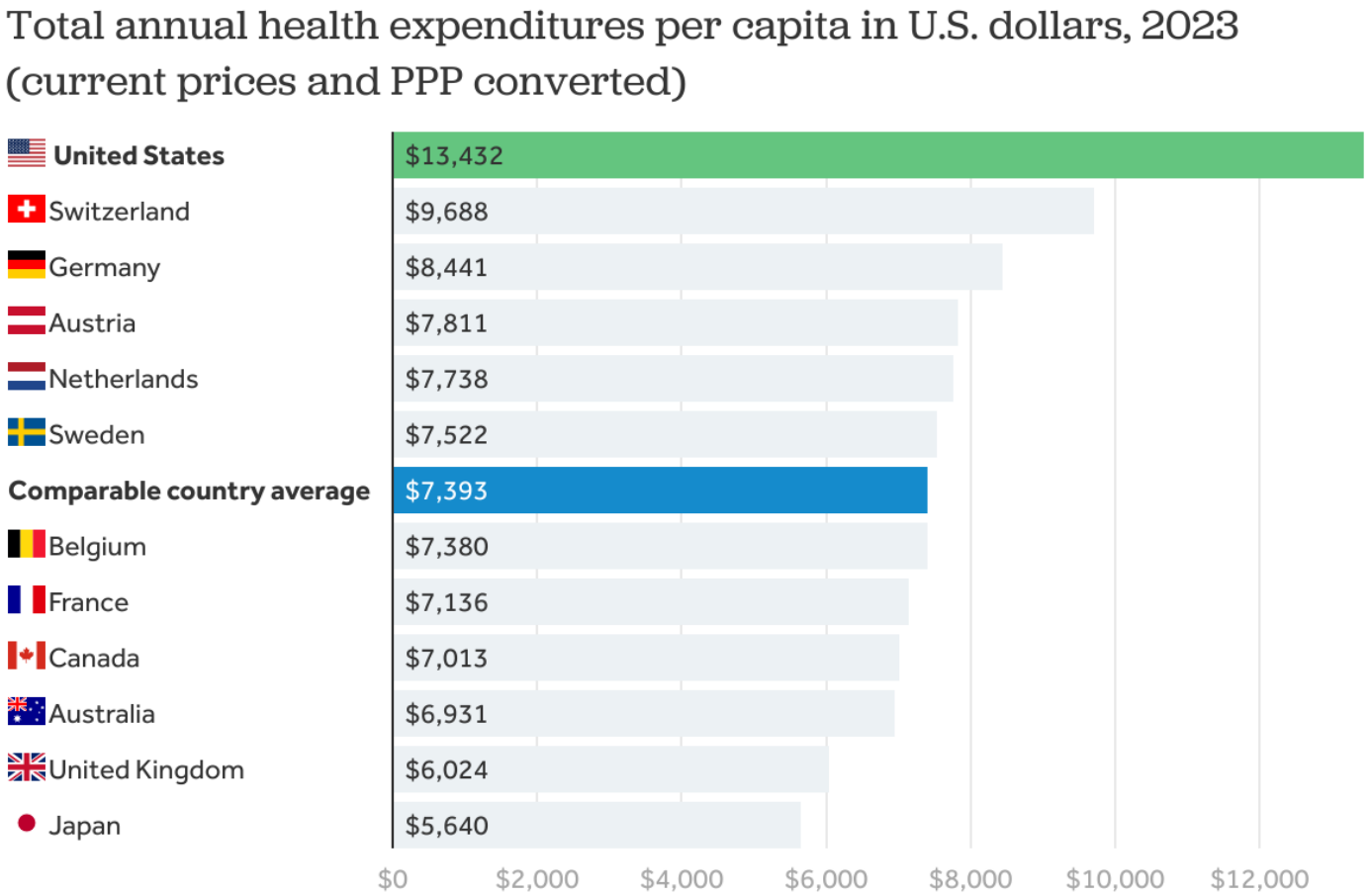
Today's Multi-Faceted Environment

Context | Overall Healthcare Spending

US spends nearly twice as much per capita on healthcare than peer nations, but does not perform better on key indicators, including life expectancy, infant mortality, and diabetes admission rate



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Source: KFF analysis of OECD data

Notes: Data from Australia, Belgium, Japan, the Netherlands, Switzerland, and United States are estimated. Data from Austria, Canada, France, Germany, Sweden and the United Kingdom are provisional.

Context | National Health Expenditure Projections

The CMS Office of Actuary produces annual projections of health care spending ("National Health Expenditures"). The projections from the latest release (June 2025) show that health care will grow as a share of GDP

CMS Office of the Actuary Projections of National Health Expenditures (NHE)

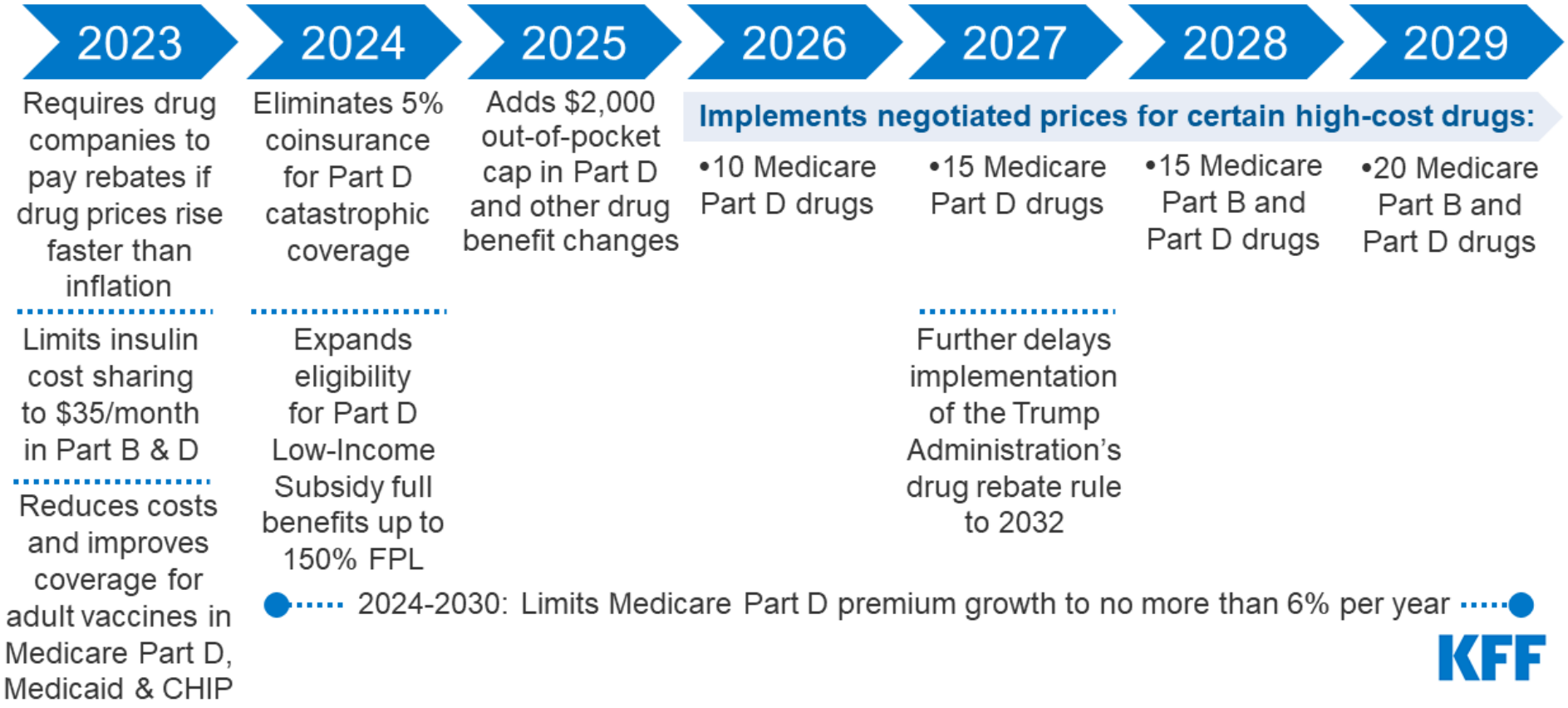
- NHE is expected to grow faster than Gross Domestic Produce (GDP), on average, over the 2024-2033 time period, resulting in an increase in health spending as a share of GDP from 17.6 percent in 2023 to 20.2 percent in 2033
- NHE projected to grow fastest in 2024 (8.2 percent) and 2025 (7.1 percent) due to continued strong growth in the use & intensity of services/goods for most payers and the insured share of population remains high (>92%)
- For 2026 and beyond, insured share of population expected to be roughly 91%. Expiring temporarily extended enhanced premium tax credits are anticipated to reduce Marketplace enrollment by an estimated 4.7 million in 2026
- For 2028-2033 national spending growth is projected to be 5.3 percent (versus GPD growth of 4.1 percent). Growth will be higher will be higher in Medicare vs other payers

Source: CMS Office of the Actuary https://www.cms.gov/data-research/statistics-trends-and-reports/national-health-expenditure-data/projected

Recent Legislation | Inflation Reduction Act

The Inflation Reduction Act (IRA) was passed in 2022 and is in the process of being implemented. The KFF graphic below shows the timeline, including negotiated prices for high-cost drugs

Timing of Prescription Drug-Related Changes in the IRA



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Source: https://www.kff.org/medicare/how-will-the-prescription-drug-provisions-in-the-inflation-reduction-act-affect-medicare-beneficiaries/

Recent Legislation | One Big Beautiful Bill Act (OBBBA)

- **Medicaid Reforms include:**
  - Medicaid reforms will tighten Medicaid enrollment through eligibility changes. These include work and service requirements for adults ages 19-64 and eligibility determinations at least twice per year
  - The law also creates new limits on some state funding financial mechanisms, e.g., provider taxes, state directed payments

- **ACA Marketplace Adjustments include:**
  - Eliminates auto-enrollment by requiring annual tax credit eligibility
  - Does not extend the enhanced premium tax credits

- **Medicare Changes include:**
  - Tightened eligibility
  - Increased protection for orphan drugs under the Medicare Drug Price Negotiation Program by expanding the exclusion to drugs designated for multiple diseases

Administration | Trump Rx

Federal Trump Rx Website to Launch January 2026

- **TrumpRx** is a federal website that does not sell medications directly to consumers but connects them directly with manufacturers. Consumers can search for prescription drugs and **buy them directly from the manufacturers** at discounted prices
- **TrumpRx** will not bill insurance and bypasses PBMs
- Drug manufacturers may sell certain drugs or to certain payers (e.g., Medicaid) at prices not to exceed those in other developed countries
- Participation in TrumpRx may provide relief from tariffs
- Manufacturers currently participating: **Pfizer, AstraZeneca, Merck KGaA (EMD Serono), Eli Lilly, and Novo Nordisk**

Administration | GLP-1 Medications for Weight Loss

- **Medicare does not currently cover GLP-1 Medications (GLP-1s) s for weight loss** due to the Medicare Prescription Drug, Improvement, and Modernization Act (MMA) of 2003 prohibition on coverage of drugs used primarily for weight loss
- Medicare **does cover GLP-1s Type 2 diabetes, cardiovascular risk reduction and sleep apnea**, so some Medicare beneficiaries who have these conditions are already eligible
- The **Biden Administration proposed to cover GLP-1s for weight loss** in the Proposed 2026 Part D Rule issued November 2024, reinterpreting the statute to permit coverage. This proposal was not finalized
- The **Congressional Budget Office estimated** that Medicare coverage of **GLP-1s for weight loss would increase Medicare spending over the next 10 years (2026-2034) by $35.5 billion**

Administration | GLP-1 Announcement November 6

Eli Lilly and Novo Nordisk MFN Agreements

- President Trump announced **Most Favored Nation (MFN) agreements with Eli Lilly and Novo Nordisk** on November 6, **including agreements on GLP-1s** (Novo Nordisk: Ozempic and Wegovy, Lilly: Zepbound and Orforglipron, if approved)
- Trump Rx will **offer Ozempic and Wegovy at $350 per month** and **Zepbound, on average, at $346**. Oral GLP-1s, if approved, will be priced at $150 per month on TrumpRx
- **For Medicare's covered indications and Medicaid**, Ozempic, Wegovy, Zepbound, and Mounjaro **will be priced at $245 a month**
- Administrator Oz in the press conference explained that Medicare is not permitted to cover drugs for weight loss, so **Medicare coverage for obesity would be through a CMS Innovation Center Model**

Administration | CMS Innovation Center

CMS Innovation Center (CMMI) Authority

- ACA established CMMI and gave it the authority to, “test innovative payment and service delivery models to reduce program expenditures … while preserving or enhancing the quality of care.”
- Since it’s inception, CMMI has tested more than 50 models, which focus on changes in payment policy and health care delivery in Medicare and Medicaid
- CMMI has waiver authority, which allows it to structure and test novel payment arrangements, for example, payments for episodes of care
- The Most Favored Nation Model and its predecessor, the International Pricing Index, were both proposed as CMMI models

Administration | CMMI Model "GENEROUS"

- **CMMI announced the GENEROUS** "GENErating Cost Reductions fOr US Medicaid)" Model on **November 6, 2025**
- The five-year model is voluntary for states and manufacturers and **allows state Medicaid agencies to access Most Favored Nation (MFN) prices for covered outpatient drugs (CODs)** through supplemental rebate agreements. The model will include single source and innovator multisource CODs
- CMS materials suggest the benchmark used to calculate the MFN price will be **based on the average net price** at which it is sold in the following countries: **G7 (United Kingdom, France, Germany, Italy, Canada, and Japan) as well as Switzerland and Demark**
- **CMS will negotiate standard coverage criteria** with manufacturers for each of their model drugs. Participating states will use these criteria to develop their Preferred Drug Lists (PDLs) as well as the utilization management criteria for the CODs
- CMS has **released the GENEROUS Manufacturer Request for Applications**, which is now open and will close March 1, 2026. The State application has not yet been released
- The model will **begin January 1, 2026** and run through December 31, 2030

Administration | CMS Innovation Center

There are two drug-related models currently under review at the Office of Management and Budget (OMB)

List of Regulatory Actions Currently Under Review

AGENCY: HHS-CMS	**RIN:** 0938-AV66	**Status:** Pending Review for rule 0938-AV66
TITLE: Global Benchmark for Efficient Drug Pricing (GLOBE) Model (CMS-5545)		
STAGE: Proposed Rule	**ECONOMICALLY SIGNIFICANT:** Yes	
RECEIVED DATE: 09/25/2025	**LEGAL DEADLINE:** None	
AGENCY: HHS-CMS	**RIN:** 0938-AV74	**Status:** Pending Review for rule 0938-AV74
TITLE: Guarding U.S. Medicare Against Rising Drug Costs (GUARD) Model (CMS-5546)		
STAGE: Proposed Rule	**ECONOMICALLY SIGNIFICANT:** Yes	
RECEIVED DATE: 10/02/2025	**LEGAL DEADLINE:** None	

Source: https://www.reginfo.gov/public/jsp/EO/eoDashboard.myjsp

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Looking Toward the Future

CMS Innovation Center Strategy

CMS Innovation Center 2025 Strategy to Make America Healthy Again

The CMS Innovation Center's **vision is to build healthier lives** through evidence-based prevention, patient empowerment, and greater choice and competition

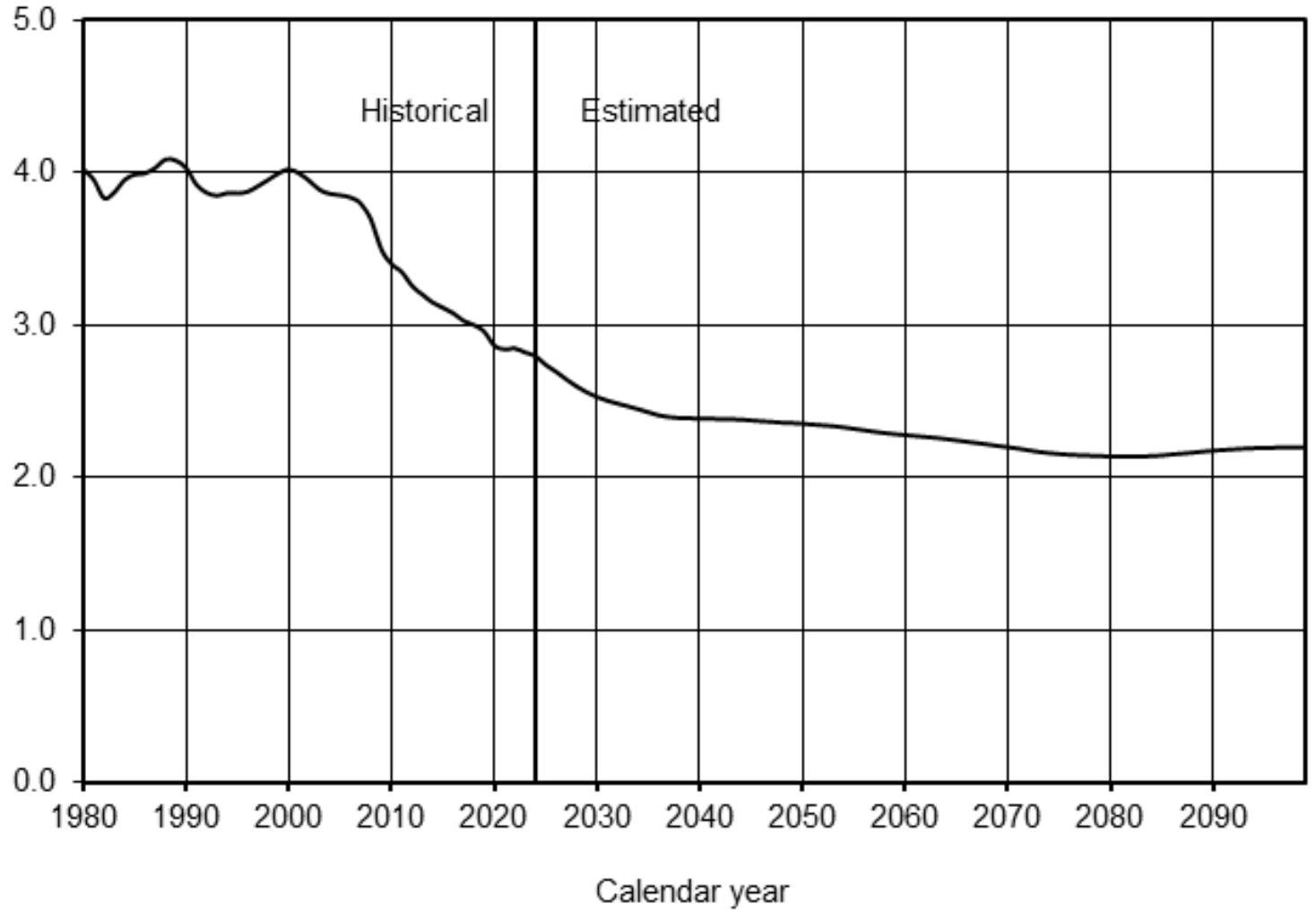
This **vision will be achieved through three pillars** supported by a foundational principle:

- **Promote evidence-based prevention**
- **Empower people to achieve their health goals**
- **Drive choice and competition**

Foundational principle: Protect federal taxpayers in all CMS Innovation Center models and other activities

Key Trends / Demographics

Workers per Part A Medicare Beneficiary



- The **Baby Boomers started aging into Medicare in 2011**
- **Baby Boomers will have all aged into Medicare by 2030** creating the largest-ever Medicare population
- This places more pressure on the working population as the **ratio of workers** paying into Medicare **versus beneficiaries is decreasing**

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Source: https://www.cms.gov/oact/tr/2025

Key Trends / Technology

- Since **healthcare lags other sectors in technology** adoption, it is **potentially a future key driver** across multiple dimensions
  - AI-Enabled Healthcare
  - Telemedicine and Remote Care
  - Integrated Data and Interoperability

- **Research suggests savings from AI in the 5-10% range** of healthcare spending, but its impact to date has been relatively low

- Providers have focused initial **implementation largely on administrative tasks**

Sources: https://www.nber.org/papers/w30857
https://www.gatech.edu/news/2025/07/11/ai-healthcare-could-save-lives-and-money-change-wont-happen-overnight

Key Trends / Consumer Expectations and Preferences

- **Proliferation of Information**. Consumers are getting health information from many different sources, including social media and search engines
- **Personalization of Care**. Increasingly there is the potential with more sophisticated treatment and diagnostics to provide care tailored to the individual patient
- **Convenience**. Many patients prefer to do home-based or virtual visits because they're more convenient
- **Self-Directed.** Proliferation of wearables and other products focused on wellness. Consumer focus on transparency in pricing

Focus on the Future

- **Period of substantial change** – legislation, regulatory action, and Executive Order
- Next few years will likely **bring more drug negotiations, some insurance loss, and increased healthcare spending growth**
- **Technology will be a key driver** in the future, but questions remain about impact on healthcare spending
- **Consumers are getting information from non-traditional sources** and may be more demanding
- Greater emphasis on **convenient, personalized care**