Farxiga: Calculations and Analyses Underpinning Potential Upper Payment Limit (UPL) Values

Introduction

Under the Policy Review process, Board staff shall perform calculations and analyses to develop potential UPL values based on feedback from the Board on the potential frameworks. These calculations and analyses may include appropriate adjustments to ensure that the UPL value reflects all discounts, rebates and price concessions; excludes dispensing and administration fees and direct and indirect renumeration to pharmacies; and includes patient out-of-pocket costs other than costs attributable to dispensing fees. This document sets forth possible ways of calculating a UPL consistent with the frameworks identified by the Board.[1]

This document contains staff's recommendation for a proposed UPL amount with a description of the calculation and analyses, and relevant underlying assumptions used in the analysis such as health outcome or threshold (COMAR 14.01.05.06D).

On November 17, 2025, the Board directed staff to develop UPL values based on a single framework—domestic reference pricing based on the Medicare Maximum Fair Price.

UPL Values Based on Domestic Referencing Pricing (Including Medicare Maximum Fair Price (MFP))

Calculation of UPL Values:

Under the Domestic Reference UPL framework, a UPL value may be set using the estimated net cost to other purchasers and payors for the same prescription drug product within the United States, or the net price received by the manufacturer. The negotiated Medicare Maximum Fair Price (MFP) for CY2026 is $178.50 for a 30-day supply, or $5.95 per pill.

Calculation of Baseline UPL based on Baseline MFP

Staff establishes a Baseline per pill UPL based on the Baseline per pill MFP. Staff develops this by taking the Baseline per pill MFP and rounding up to the nearest 5 cents.

[1]Because the calculation of the UPL value is based on Domestic Reference Pricing using the negotiated Medicare Maximum Fair Price (MFP) as a benchmark, the calculation of the UPL value does not include assumptions concerning health outcomes or thresholds.

Limitation on Rounding. In these calculations, staff uses a 5-cent increment to conform with current U.S. Treasury practice. If the calculated amount based on the inflation adjustment is already a multiple of five, no rounding will occur.

For Farxiga, the Baseline UPL reflects the amount that would be paid in 2026 if a UPL were implemented in that year. That is because 2026 is the first year for which an MFP applies. To calculate a Baseline per pill UPL staff: (1) uses the published Baseline per pill MFP; and (2) rounds this number up to the nearest five cents. This calculation yields **$5.95 per pill** or **$178.50** for a 30-day supply.

Calculation of UPL for Years after Baseline MFP

For a UPL that is implemented in a subsequent year (after the baseline), staff calculates the UPL by: (1) utilizing the Baseline per pill UPL; (2) increasing that number by the percentage increase in the consumer price index for all urban consumers (CPI-U) for the time period running from 18 months before the baseline UPL went into effect to 18 months before the year in which the UPL is implemented; and (3) rounding this number up to the nearest five cents.

Example for Year 2

Using this calculation, a UPL that would go into effect January 1, 2027, would be calculated as follows:

(1) using the Baseline UPL per pill of $5.95;
(2) adding the product of the Baseline UPL per pill and percentage increase ($5.95 x 0.027 = $0.16065) to the Baseline UPL to yield $6.11065; and
(3) rounding the inflation-adjusted UPL to the nearest 5 cents which yields $6.15 per pill or $184.50 for a 30-day supply.

Example for Year 3

Assuming a 2-year CPI-U increase of 5.4729 percent (based on an annual inflation of 2.7 percent)), a UPL that would go into effect January 1, 2028, would be calculated under this calculation by:

(1) using the Baseline UPL per pill of $5.95;
(2) adding the product of the Baseline UPL per pill and percentage increase ($5.95 x 0.054729 = $0. 32563755) to the Baseline UPL to yield $6. 27563755; and
(3) rounding the inflation-adjusted UPL to the nearest 5 cents which yields $6.30 per pill or $189 for a 30-day supply.

Staff Recommendations:

If the Board determines that a UPL is an appropriate policy and seeks to set a UPL using the domestic reference pricing based on the MFP framework , staff recommends calculating the UPL by establishing a Baseline UPL amount and performing the calculations set forth above. For a Baseline year of 2026, the Board may set a Baseline UPL amount at **$5.95 per pill** for Farxiga for eligible governmental entity payors and purchasers. The actual UPL amount will depend on the date the UPL goes into effect. Based on these calculations, for calendar year 2027, the UPL amount is $6.15 per pill.

In making this calculation recommendation, staff considered the extent to which the MFP: reflects discounts, rebates and price concessions; excludes dispensing and administration fees and direct and indirect renumeration to pharmacies; and includes patient out-of-pocket costs other than costs attributable to dispensing fees. COMAR 14.01.05.06D(3). To assess these issues, staff examined the Initial Price Applicability Year 2027 Final Guidance and the Initial Price Applicability Year 2028 Final Guidance.[2] These guidance documents provide information on the manufacturer effectuation of the maximum fair price (MFP) in 2026, 2027, and 2028. Staff also examined the Revised Medicare Part D Manufacturer Discount Program Final Guidance.[3]

In assessing whether the MFP reflects all discount, rebates, and price concessions, staff examined the interaction between the Medicare Drug Discount Program, Medicare Part D Inflation Rebate Program and the MFP. Manufacturers of the drugs selected for an MFP do not owe rebates for those drugs under the Medicare Drug Discount Program. But those manufacturers may owe rebates under the Medicare Inflation Rebate program. In addition, Medicare Part D plans are permitted to negotiate supplemental rebates. Taken together, this means that a UPL set using the MFP does not include all discounts, rebates, and price concessions received by Medicare or its Part D plans. The Board's regulations, however, do not allow the Board to set a UPL for an amount less than the MFP.

In assessing if the MFP excludes the dispensing fee, staff reviewed the document titled "Medicare Drug Price Negotiation Program: Final Guidance, Implementation of Sections 1191 – 1198 of the Social Security Act for Initial Price Applicability Year 2027 and Manufacturer Effectuation of the Maximum Fair Price in 2026 and 2027." The document states that

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[2] CMS Guidance and Policy Documents- Initial Price Applicability Year 2028- https://www.cms.gov/priorities/medicare-prescription-drug-affordability/overview/medicare-drug-price-negotiation-program/guidance-policy-documents
[3] CMS Revised Medicare Part D Manufacturer Discount Program Final Guidance- https://www.cms.gov/files/document/revised-manufacturer-discount-programfinal-guidance122024.pdf

pharmacies can be reimbursed the MFP plus a dispensing fee. As a result, the MFP amount is not inclusive of dispensing fees, and staff recommend that no adjustments be made to ensure the UPL based on MFP excludes dispensing fees.

Finally, staff considered whether different UPLs should be set for different classes of eligible governmental entities such as payors compared to purchasers. The Board may want to consider different UPLs for the different entities to reflect differences in supply chain markups resulting from the purchasers and payors being in different levels of the supply chain. The Board has authority to set UPLs for governmental payors and purchasers. Because the Board is directed to "consider the cost of administering the drug and delivering the drug to consumers, as well as other relevant administrative costs" when setting a UPL, COMAR 14.01.05.02B(1), the Board may want to consider a pharmacy's margin on ingredient costs. In the case of a purchaser, pharmacy markups may not be appropriate if they purchase directly from a wholesaler. In this case, staff does not recommend making an adjustment because according to CMS guidance, the MFP is both the maximum that a Part D plan pays and the maximum net cost to pharmacies.

When considering inflation adjustments, staff considered various indices including CPI-U and CPI-Medical. In utilizing CPI-U, staff selected an approach that mirrors CMS's updates to the MFP and, thus, ensures that future UPLs will not be less than future MFPs.