

Ozempic: Upper Payment Limit Framework

Summary

Under the Policy Review process for Establishing an Upper Payment Limit (UPL) (COMAR 14.01.05.06A), Board staff shall recommend at least one framework for use in developing a UPL and may recommend certain contextual information for use in developing a UPL for the subject prescription drug product.

Based on the criteria for setting a UPL (*see e.g.*, COMAR 14.01.05.02D), the Board shall not set a UPL that is lower than the Medicare Maximum Fair Price (MFP). Ozempic was selected for the second round of Medicare Price Negotiations¹ and has a Medicare Maximum Fair Price.² Staff explored numerous other frameworks for developing a UPL for Ozempic. However, most of the additional frameworks, such as therapeutic class reference pricing and international reference pricing, produced results that are below the Medicare Maximum Fair Price. Consistent with the regulatory criteria, these frameworks are not recommended by staff. *See* COMAR 14.01.05.06D(2).

Finally, the Board may establish a UPL for eligible governmental entities that represent the system net ingredient cost. (COMAR 14.01.05.01B(8)).

This document is not a methodology document. The estimates below are rough estimates based on publicly available data that are not intended to be final. After the Board selects a framework, staff will publish methodology documents for public comment.

¹ Selected Drugs and Negotiated Prices. <https://www.cms.gov/priorities/medicare-prescription-drug-affordability/overview/medicare-drug-price-negotiation-program/selected-drugs-and-negotiated-prices>

² Medicare Drug Price Negotiation Program: Medicare Drug Price Negotiation Program: Negotiated Prices for Initial Price Applicability Year 2027. <https://www.cms.gov/files/document/fact-sheet-negotiated-prices-ipay-2027.pdf>

Staff Recommendations for Ozempic

Recommended UPL Framework(s):

If the Board wishes to develop a UPL for Ozempic for participating Eligible Governmental Entities, Board staff recommend that the Board uses the Domestic Reference Pricing (COMAR 14.01.05.06B(5))- Medicare Maximum Fair Price (MFP) framework. The negotiated MFP for CY2027 is \$274 for a 30-day supply.

Contextual Information:

Under COMAR 14.01.05.06C, Board staff recommend that the Board utilize the following Contextual Information in setting the UPL for Ozempic:

- Information gathered during the cost review study process or the policy review process; COMAR 14.01.05.06C(1)
- Net costs for:
 - o State health plan;
 - o County, bicounty, and municipal health plans;
 - o Direct government purchases; and
 - o Medicaid; COMAR 14.01.05.06C(2)
- Current coverage status of the drug in:
 - o State health plan;
 - o County, bicounty, and municipal health plans; and
 - o Medicaid; COMAR 14.01.05.06C(4)
- Utilization in the following program by patients and prescriptions:
 - o State health plan;
 - o County, bicounty, and municipal health plans; and
 - o Medicaid; COMAR 14.01.05.06C(5)
- Amount of direct government purchases by units and patients served; COMAR 14.01.05.06C(6); and
- Budget impact analysis. COMAR 14.01.05.06C(8).

Framework Recommendation

COMAR 14.01.05.06B(5) National Domestic Reference Pricing - Medicare Maximum Fair Price (MFP)

Description:

Under the domestic reference framework, a UPL value may be set using the estimated net cost of a prescription drug product to other purchasers and payors for the same prescription drug product within the United States or the net price received by the manufacturer.

Under the Inflation Reduction Act of 2022 (P.L. 117-169), the Centers for Medicare and Medicaid Services (CMS) was authorized to negotiate the prices of certain high-expenditure drugs directly with manufacturers. CMS selected ten drugs covered under Medicare Part D for the first cycle of negotiations. CMS reports that it “engaged in genuine, thoughtful negotiations with each participating drug company.”³ CMS also advises that it “developed an initial offer for each drug, consistent with the process described in the statute and the agency’s guidance,” and each manufacturer responded with a counteroffer.⁴

CMS has provided an analysis of its processes and the data considered in negotiating the Maximum Fair Price (MFP), which is available on the CMS website.⁵ CMS reports that it “held three meetings with each participating drug company to discuss the offers and counteroffers, discuss evidence, and attempt to arrive at a mutually acceptable price for the drug.”⁶ CMS revised its offers upward for each drug in response. Some drug companies revised their counteroffers downward. Although the route by which the negotiated price was reached varied by drug, a Maximum Fair Price has been published for each drug.

Ozempic was part of the second round of negotiations. CMS has published a Maximum Fair Price (MFP) for Ozempic, effective January 1, 2027.⁷

Data and Data Sources:

Published Medicare Maximum Fair Price; Centers for Medicare & Medicaid Services⁸

³ *Id.*

⁴ *Id.*

⁵ Medicare Drug Negotiation Program. <https://www.cms.gov/priorities/medicare-prescription-drug-affordability/overview/medicare-drug-price-negotiation-program>

⁶ Medicare Drug Price Negotiation Program: Negotiated Prices for Initial Price Applicability Year 2027. <https://www.cms.gov/files/document/fact-sheet-negotiated-prices-ipay-2027.pdf>

⁷ *Id.*

⁸ Medicare Drug Price Negotiation Program. <https://www.cms.gov/priorities/medicare-prescription-drug-affordability/overview/medicare-drug-price-negotiation-program>

Calculation:

Using the MFP as a pricing benchmark, the Board sets a UPL no lower than the MFP. *See also* COMAR 14.01.05.06D(2).

The negotiated MFP is \$274 for a 30-day supply.⁹ For Ozempic, each NDC-11 requires a different number of units (milliliters (ml) for injectables) to get to 30-days' supply. CMS provided a spreadsheet with the MFP per unit for each NDC-11.¹⁰

Assumptions:

Medicare plans may negotiate additional discounts and rebates based on the published Medicare MFP.

Estimated Savings/Savings Comparison:

These cost savings estimates are based on publicly available data, which may not align fully with certain proprietary data. Within these limitations, these are estimates designed to leverage the available data to understand the potential for savings.

Comparison of Estimated Commercial Net Cost (estimated Medicare Part D Rebates) and MFP Using Maryland Claims Data

To estimate the potential savings from adopting an upper payment limit(UPL) using the MFP, we used the 2023 count of units dispensed to enrollees of Maryland state and local government health plans. The CMS Initial Price Applicability Year (IPAY) 2027 MFP of \$274 represents the cost of Ozempic per 30-day supply. Unlike pills, each formulation of Ozempic injections requires a different number of units to amount to a 30-day supply. To estimate the total net spend by the state and local government health plans at an UPL set at the IPAY 2027 MFP, we multiplied the MFP per unit (for each NDC-11) by the number of units dispensed (reported in the Maryland Medical Care Data Base (MCDB)) to estimate the sum total net spend estimated at \$10.3 million. .

In comparison, we also estimated the total commercial net spend on Ozempic in Maryland using estimates from published literature, based on the average Medicare Part D spending unit per 30-day supply, which was found to be \$428.¹¹ The unit price for Ozempic was not made available. Consequently, we used the ratio of the Medicare Part D price per 30-days supply (\$428) to the Medicare Part D units dispensed per 30-day supply to determine the average Medicare Part D

⁹ Fact Sheet on Negotiated Prices for IPAY 2027 (PDF). <https://www.cms.gov/files/document/fact-sheet-negotiated-prices-ipay-2027.pdf>

¹⁰ Selected Drug List and Negotiated Prices, also known as Maximum Fair Prices in Statute(ZIP). <https://www.cms.gov/files/zip/cms-negotiation-program-ipay-2027-mfp-data-file.zip>

¹¹ Sullivan SD, Cousin EM, et.al. Selected drugs, therapeutic alternatives, and price benchmarks for IPAY 2027 Medicare drug price negotiation. *J Manag Care Spec Pharm*. 2025;31(10):968-981. doi:10.18553/jmcp.2025.25199

unit price for each NDC-11. This unit price was multiplied by the total units dispensed to enrollees reported by MCDB to calculate the total commercial spend. As a result, we found the current average commercial net cost of Ozempic to be \$16.1 million. In comparison, using the MFP as an UPL for Ozempic results in an estimated total net spend of \$10.3 million to Maryland state and local government health plans. Therefore, we determined that using the MFP as an UPL also has an estimated annual cost savings of \$5.8 million to the state and local governments of Maryland, representing a 36% savings on the commercial net cost of Ozempic (*see Table 1*).

Equation 1.

$$\text{Units per 30 day supply} = \frac{\text{Price}}{30 \text{ Day Supply}} \times (\text{Unit Price})$$

Equation 2.

$$\text{Unit Price} = \frac{\text{Price}}{(30 \text{ Day Supply})} \times \frac{(30 \text{ Day Supply})}{(\text{Units Dispensed})}$$

Equation 3.

$$\text{Total Net Spend} = (\text{Unit Price}) \times (\text{Units Dispensed})$$

Table 1. Domestic Reference Pricing for Ozempic

| National Drug Code (11-Digit) | MFP Per 30 Day | MFP Per Unit | Units Per 30-Day Supply | Estimated Current Net Per 30 Day | Current Net Per Unit | Units Dispensed | Gross Spend | Net Spend Under MFP | Current Net Spend |
|--------------------------------------|-----------------------|---------------------|--------------------------------|---|-----------------------------|------------------------|-------------------------|----------------------------|--------------------------|
| 00169-4130-01 | \$274.00 | \$92.26 | \$2.97 | \$428.00 | \$144.11 | 93 | \$26,267.00 | \$8,580.21 | \$13,402.66 |
| 00169-4130-13 | \$274.00 | \$92.26 | \$2.97 | \$428.00 | \$144.11 | 43,653 | \$12,857,706.00 | \$4,027,439.44 | \$6,291,036.79 |
| 00169-4132-12 | \$274.00 | \$177.83 | \$1.54 | \$428.00 | \$277.78 | 5,457 | \$ 2,653,728.00 | \$970,407.42 | \$1,515,818.89 |
| 00169-4136-11 | \$274.00 | \$92.26 | \$2.97 | \$428.00 | \$144.11 | . | . | | |
| 00169-4181-13 | \$274.00 | \$92.26 | \$2.97 | \$428.00 | \$144.12 | 35,061 | \$ 10,774,847.00 | \$3,234,790.06 | \$5,052,883.74 |
| 00169-4772-11 | \$274.00 | \$92.22 | \$2.97 | \$428.00 | \$144.06 | | | | |
| 00169-4772-12 | \$274.00 | \$92.22 | \$2.97 | \$428.00 | \$144.06 | 22,364 | \$ 7,085,183.00 | \$2,062,515.47 | \$3,221,739.50 |
| Total | | | | | | | \$ 33,397,731.00 | \$10,303,732.61 | \$16,094,881.59 |

