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Insurers clamping down on doctors who prescribe Ozempic for weight loss

Daniel Gilbert

12–15 minutes

The letters from the insurance company arrived in recent weeks, bearing a warning to health care providers who prescribe Ozempic, a diabetes drug that has gained popularity as a weight-loss treatment.

“The Special Investigations Unit has completed a comprehensive review of your prescription and professional claims,” said one letter to a Missouri doctor from insurer Anthem Blue Cross Blue Shield. Of the patients for whom the doctor prescribed Ozempic, the review found that more than 60 percent lacked “sufficient evidence” of diabetes, its Food and Drug Administration-approved use. The “education letter” warned that prescribing the drug for other conditions could put patients at risk, saying the insurer would refer “suspected inappropriate or fraudulent activity … to the state licensure board, federal and/or state law enforcement.”

Anthem used the same language in other letters, reviewed by The Washington Post, that went out to clinicians in New York and North Carolina, and their ominous tone signals a coming clash over new

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drugs that are upending treatment for obesity.

The drugs, often called GLPs, are fueling a frenzy among patients and a gold-rush within the pharmaceutical industry. Yet their high price tags, combined with the huge population that could benefit from them, present a conundrum for insurance companies.

Insurers appear to be tightening rules to prevent off-label prescriptions for now, but that could change if Ozempic and similar drugs are shown to have broader health benefits associated with losing weight — benefits that could save insurers money. The results of the first such major study are expected later this summer.

Ozempic only has regulatory approval for diabetes but it contains the same active compound, semaglutide, as another drug approved for obesity, Wegovy. Because many insurers do not cover weight-loss medications, doctors have ordered Ozempic to treat obesity, a practice known as prescribing “off label” that is common across health care.

“There’s really no difference between semaglutide as Wegovy and semaglutide as Ozempic,” said Angela Fitch, president of the Obesity Medicine Association and co-founder of weight-focused start-up Knownwell. She has seen a handful of Anthem’s letters and considers them unwarranted, saying “these clinicians aren’t committing any kind of fraud.”

Elevance Health, which operates Anthem plans, said the letters went to fewer than 150 providers. The insurer said that in most cases it won’t cover Ozempic unless a patient is diagnosed with diabetes and has tried another medication to manage it, but physicians can still prescribe it. “Nationwide shortages have

occurred due to the large uptick in off-label prescribing," the letters state, and patients with diabetes "often cannot find the medication in stock."

America's Health Insurance Plans, a trade group, has noted concerns about side effects and the cost of GLPs. "The evidence is still evolving related to how these medications may impact complications related to obesity such as heart disease and diabetes," said David Allen, a spokesperson.

There may be no buzzier medication on the market than GLPs. They are being popularized by celebrities, going viral on social media and transforming the lives of people who've tried everything over decades to lose weight. They are also generating windfalls for pharmaceutical firms big and small, shaking up the fortunes of some conventional weight-loss companies and creating growth for companies that manufacture parts needed to inject the medication.

Such is the craze for GLPs that they are drawing comparisons to cultural touchstones like Botox and Viagra — but with the potential to appeal to a broader cross-section of patients, and for longer stretches of their lives. Pfizer has estimated the GLP market could be worth more than $90 billion a year by 2030, up from $25 billion.

New prescriptions for Ozempic and Wegovy, made by Novo Nordisk, have surged by 140 percent and 297 percent, respectively, as of a year ago, according to a research note from Cowen analysts. With list prices of more than $900 a month, GLPs are far more expensive than older weight-loss drugs, and some insurers are requiring patients to clear more hurdles before covering them, according to several doctors who treat patients for obesity.

The Centers for Disease Control and Prevention estimates that more than 40 percent of adults older than 60 are obese. At that rate, treating just 10 percent of these Medicare beneficiaries with Wegovy could cost $26.8 billion a year, according to a recent analysis. (Federal law would have to be changed to allow Medicare to cover weight-loss medications.)

Demand has been so hot that Novo Nordisk said in early May that it would cut back on supplying doses of Wegovy for new patients to preserve the medication for those already taking it.

The gold rush

In March, a little-known biotech called Viking Therapeutics published results of a small early-stage trial that rivaled GLPs already on the market. Viking's share price doubled over a month, boosting its stock-market value by $1.4 billion — a stunning jump for such a preliminary finding.

Last month, it was Pfizer's turn to ride the weight-loss wave. After a publication confirmed previously disclosed results on one of its GLP drugs, the drug giant's shares surged and added more than $10 billion to its value. When investors bet that kind of money on a drug that might not even move forward, Evercore ISI analyst Umer Raffat wrote in a research note, "we are clearly in the hey day of GLPs."

GLPs that have been approved by the Food and Drug Administration have quickly become engines of cash for their developers. Eli Lilly brought in $568.5 million of revenue in the first three months of 2023 from Mounjaro, its new diabetes drug. Novo Nordisk, a Danish company, reported the equivalent of about $3.5 billion in sales from Ozempic and Wegovy combined over the

same period.

Developing a drug that can meaningfully and safely help people shed pounds has been a “holy grail” for the pharmaceutical industry for decades, analysts say. The new drugs are man-made versions of glucagon-like peptide 1, a hormone naturally produced by the body that helps regulate blood-sugar levels, make food pass more slowly through the stomach and suppress appetite. The treatment has evolved from drugs that had been injected daily to once a week, and drugmakers are developing a pill version.

Part of the excitement for these new drugs is the potential for broader health benefits — and the cost savings that could flow from them. Matthew Gilbert, an endocrinologist at University of Vermont Medical Center, said GLP drugs are so effective at managing diabetes that he’s able to cut back on prescribing insulin to patients.

Yet the benefits of GLP drugs can vanish when patients stop taking them, which could mean patients take them for a lifetime. Gilbert said he is not concerned about the long-term safety, but the prospect of lifelong use raises a question no one can yet answer. “Are these drugs going to be safe for someone to take for 30 years?” he said.

The chief executive of WeightWatchers cautioned that the drugs “are not magic pills,” but the company’s stock jumped 59 percent the day after it announced it completed a deal that will allow it to sell GLP drugs directly to patients.

Gary Foster, chief scientific officer of WeightWatchers, said in a statement that GLPs are a breakthrough, but emphasized the need to pair them with a behavioral program. That, he said, “is the

foundation for healthier patterns of eating and activity as well as a better quality of life."

The cost and difficulty of finding GLPs has spawned a wide range of marketing efforts by companies seeking to capitalize on the drugs' popularity.

Shed Rx, an Arizona-based telehealth firm that launched in January, is advertising "affordable tirzepatide" for an initial $499 a month — half the cost of the list price for Mounjaro, the only FDA-approved tirzepatide drug. The company can do so in part because it is ordering it from compounding pharmacies, which costs less than the branded-version, according to Morley Baker, the company's chief executive.

"People are looking for an affordable solution," said Baker, who said he has no prior experience in health care but his partners do.

FDA allows only compounding pharmacies to make products that are commercially available when they are in shortage, as is currently the case for tirzepatide and semaglutide. The agency recently warned that it has "received adverse event reports after patients used compounded semaglutide," and said patients should use FDA-approved drugs if available.

Baker did not respond to subsequent requests for comment.

The GLP difference

Ozempic has had profound effects for Barbara Senich, 66, of North Carolina and Rhondalynne Ware, 59, of Texas. Both struggled with weight for most of their lives, tried numerous diets and underwent bariatric surgery before trying Ozempic.

"I went from feeling like I was on the edge of a cliff, and I was this

hopeless person, to now feeling like I can control this," said Senich, a former pharmaceutical executive whose struggles with weight began in the fourth grade.

Ware, who works in accounting, said that her weight-loss success with Ozempic "has been unlike anything else I've ever done."

But this is where their experiences diverge: Senich has a diagnosis of prediabetes, which is covered by her insurance. Ware doesn't.

After Ware's insurance stopped covering Ozempic, she went through a succession of other drugs until she was prescribed Mounjaro, a GLP drug approved for diabetes but also prescribed off-label to treat obesity. That was a game changer for Ware, who was able to get it for $25 a month through a coupon from manufacturer Eli Lilly. Still, she has struggled to find pharmacies that will accept the coupon.

"I've gone to chain pharmacies, small mom-and-pop pharmacies, I've gone out of state," Ware said.

Some health plans, like the Teacher Retirement System of Texas, have been covering weight-loss drugs such as Wegovy apparently by mistake. The system recently discovered an increase in its members using such drugs, which it says are excluded as a benefit, according a letter it sent to the Obesity Medicine Association last month.

"It was not TRS' intent to provide coverage for weight loss and anti-obesity drugs," the letter states, adding that doing so "would require TRS to factor the costs of such medications into the premiums charged to all employees" in its plan.

The American Medical Association recognized obesity as a disease in 2013, but treating it is still shaped by stigma. The condition was historically viewed as a problem of lifestyle, diet and willpower, and many insurance plans exclude it along with cosmetic ailments like hair loss. Some insurers cover off-label uses of GLP drugs while many do not.

“The ‘eat less, move more’ approach is really not very effective for the average person who is looking for meaningful, sustained weight loss,” said Jaime Almandoz, medical director of the Weight Wellness Program at the University of Texas Southwestern Medical Center in Dallas.

Almandoz said Eli Lilly had a coupon for Mounjaro last year available to anyone with commercial insurance, regardless of whether they had diabetes. That, coupled with a study on tirzepatide last summer showing dramatic weight loss for obesity patients without diabetes, “led to a huge uptick in off-label prescribing,” Almandoz said.

Now he and other doctors have noticed a trend of insurers mandating additional steps and paperwork before they will reimburse for GLPs, such as requiring them to try other less-expensive weight-loss drugs first.

Taher Modarressi, a doctor at Hamilton Cardiology Associates in New Jersey, hasn’t experienced such a tightening of requirements but sees a looming collision. It is the physician’s job to do what is medically right for the patient, including prescribing GLP drugs to treat obesity, he said. Still, “we would face overwhelmingly prohibitive systemic costs” if such medications were prescribed to everyone who qualifies.

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Rather than limiting the therapy, he argues that the price of GLPs must go down and cites a precedent: Amgen, Sanofi and Regeneron slashed the price of their anti-cholesterol medication in 2018, aiming to boost use of the medication. “It’s an approach that merits serious consideration,” he said.

correction

A previous version of this article incorrectly described Jaime Almandoz's position. Almandoz is the medical director of the University of Texas Southwestern Medical Center's Weight Wellness Program, not the entire center.

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