Intelligence MEMOS

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To: Healthcare Observers

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Re: **Ozempic: Disruption and Drama in Pharmaceutical Markets and Insurance**

Ozempic (and other GLP-1 medications) are having their moment in the popular mind.

And their sudden prominence illustrates how pharmaceutical companies can expand the market for existing products by finding new applications. They have been approved as safe for human consumption, so physicians can prescribe these diabetes drugs for weight loss, even though their approval was based on diabetes treatment. (Wegovy, a similar medication to Ozempic, is approved by the FDA and Health Canada for weight loss in obese patients).

Additional uses for a medication is a good thing – the uncertainty and resources that go into developing new drugs and treatments are massive, and finding effective treatments within existing approved products is beneficial. It reduces development costs for pharmaceutical companies, who can also potentially refresh or extend patents that give market exclusivity and have a larger potential market for their product by identifying new treatments. Off-label prescribing, similarly, speeds patient access, even if a large clinical trial and regulatory approval haven't been done for their indication (yet).

These dynamics, however, can also lead to unexpected and significant costs. About 9 percent of Canadian adults are diabetic (90-95 percent type 2), and 30 to 43 percent live with obesity, depending on the measure used. This makes the potential market for weight loss drugs at least triple the size of the type 2 diabetes market. It is also worth noting that Ozempic costs about $1,500 a year per patient, compared to the $100 annual cost for metaformin, its leading alternative. The Ozempic stampede for weight loss is already causing shortages for some diabetes patients and significant unexpected costs for insurers. Twelve percent of the US population has tried a GLP-1 medication at some point, surveys show, and about 6 percent of the adult population – 20 million people – is currently taking them. Almost half of Ozempic insurance claimants in 2021 had no history of diabetes.

Public plans in Canada are feeling the pain. Ontario restricted its Ozempic coverage this year to type 2 diabetes patients for whom the leading alternative treatment is ineffective or inappropriate, in line with Health Canada' s approved indication. An increasing proportion of Ontario claimants did not have diabetes, about 4.5 percent in 2019, 14.9 percent in 2021 and was projected to be 19.4 percent in 2022. Saskatchewan's almost 195,000 Ozempic claims last year were almost 10 times the number of claims submitted in 2020. In 2021, Canada's public drug plans spent about $227 million on Ozempic. All this adds up to a five-fold increase in the number of public drug plan claims and a 17-fold increase in public spending on Ozempic from 2019 to 2021, with available data suggesting that growth has continued.

Outside public plan formularies, the rates of non-diabetic use among Ozempic claimants are estimated to be much higher – up to 74 percent. Patients can also access these treatments by paying out-of-pocket if they do not have insurance coverage. Private insurers, like public ones, are considering restrictions such as prior approval to determine eligibility, and some employers are considering excluding Ozempic from coverage. While this reduces financial risk, it will also require additional time from physicians and imposes barriers on or removes insurance coverage for diabetes type 2 patients in accessing the medications.

Enabling access, prioritizing type 2 diabetes patients ahead of those seeking weight loss, ensuring socio-economic equity and protecting public drug plans from unexpected and large costs are competing objectives. Striking the right balance requires ongoing adjustments and adaptations to formularies and coverage conditions of public and private drug programs. This ongoing process is crucial to ensure that all patients have appropriate access to the treatments they need while also managing costs and resources effectively.

Conditions on insurance coverage can conserve limited supplies, help to prioritize diabetes type 2 patients and reduce the spending risk posed by consumers' desire for weight loss solutions, but they are not a complete solution and come with some downsides related to higher administrative costs. Off-label prescribing and patients' ability to access prescriptions if they can afford to pay out-of-pocket increase access but undermine efforts to conserve limited supplies for diabetes patients and raise some equity concerns. As new drugs designed for obesity treatment enter the market and pharmaceutical manufacturing expands to meet demand, supply pressures will likely ease. The financial pressure on insurance providers, however, will continue to require adjustments to coverage and premiums to manage the rapidly growing number of claimants and associated costs.

Our next *Intelligence Memo* will look at some market responses to the soaring consumer demand for medical weight loss treatments and how the effects are significant enough to affect other sectors of the economy.

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