TESTIMONY OF REBECCA FRICKE

House Bill 1452 – Antiobesity Medication Coverage

Good Morning, Mr. Chairman and members of the committee. My name is Rebecca Fricke and I am the Executive Director of the North Dakota Public Employees Retirement System, or NDPERS. I appreciate the committee taking the time to analyze House Bill 1452, which requires a pilot program under the NDPERS health insurance related to coverage of antiobesity medication. I am here today on behalf of the NDPERS Board to provide information in a neutral capacity so the policy makers are able to make an informed decision regarding the bill.

House Bill 1452 does the following:

- Enacts a new section to chapter 54-52.1 relating to antiobesity medications
- Requires NDPERS health plan cover at least two antiobesity medications approved by the US Food and Drug Administration (FDA) for chronic weight management in patients with obesity.
    - Coverage criteria for all antiobesity medication may not be more restrictive than FDA approved criteria
    - Coverage may include cost-sharing consistent with other pharmaceutical coverage
- NDPERS must notify policyholders about this coverage:
    - When annual information is made available
    - In any other mailing to policyholders
- Notification must be prominent and in writing
- Under the provisions of NDCC 54-03-28, the bill applies to NDPERS health insurance plan for a pilot program during the 2025-2027 biennium.

Our consultant, Deloitte Consulting, provided analysis which is attached to my testimony: A few overview points include:

- The current NDPERS health insurance plan only provides GLP-1 coverage for individuals diagnosed with diabetes.
- The Bill mandates that cost-sharing be consistent with other pharmaceutical coverage, as well as, that the criteria be at most restrictive as the FDA criteria for medications. Therefore the cost for policyholders on a cost-sharing basis should be affordable but will result in additional costs to the plan.

- With greater access to affordable antiobesity medications, policyholders may be able to better manage obesity and reduce the incidence of obesity-related chronic diseases.
    - However, the antiobesity/GLP-1 market is in an early stage and long-term data and studies remain on the horizon, with long-term effects still evolving.
    - Long-term cost savings are anticipated, but the amounts are unknown with significant uncertainty and may take years to be known.
- The bill stipulates that any two FDA approved antiobesity medications can be covered to satisfy compliance but GLP-1s are becoming the predominant antiobesity medications. Therefore it is likely that GLP-1s will be the antiobesity medication covered by the Program.
    - For their financial analysis, Wegovy and Zepbound were used as they are the two most popular drugs. If other drugs were used in lieu of these two, the costs may be different.
- The bill requires that any and all mailings to policyholders contain prominent notification of this coverage. This would pertain both to mailings that are relevant to prescription drug coverage and those that are not. This could result in administrative impact that could be wide-ranging and extensive.

Deloitte estimates that the bill would have a financial impact on the NDPERS health insurance plan and estimates an increase in premium of approximately 8.3%, or $72,000,000, in the 2025-2027 biennium. The financial impact was derived from a combination of multiple modeling scenarios and underlying assumptions. I encourage you to review Deloitte's analysis to learn more about these and additional factors that may affect the financial impact of the bill.

An amendment, which is attached to this testimony, that we ask be considered is to exclude the NDPERS Medicare Part D Plan. Given retirees pay 100% of the premium, we ask that they be excluded from the pilot program under NDPERS by adopting this amendment.

Mr. Chairman, I appreciate the committee taking the time to learn more about the impact this bill will have to our state. This concludes my testimony, and I'd be happy to answer any questions the committee may have.

Sixty-ninth
Legislative Assembly
of North Dakota

PROPOSED AMENDMENTS TO

HOUSE BILL NO. 1452

Introduced by

Representatives Nelson, Mitskog

A BILL for an Act to create and enact a new section to chapter 54-52.1 of the North Dakota Century Code, relating to minimum standards for coverage of antiobesity medication; to provide for a report to the legislative assembly; to provide for application; and to provide an expiration date.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. A new section to chapter 54-52.1 of the North Dakota Century Code is created and enacted as follows:

Health insurance benefits coverage - Prescription drug coverage - Antiobesity medication.

1. The prescription drug component of the health insurance benefits coverage must include coverage of at least two antiobesity medications approved by the United States food and drug administration with an indication for chronic weight management in a patient with obesity.
2. The coverage criteria for antiobesity medication may not be more restrictive than the United States food and drug administration approved indications.
3. The coverage provided under this section may be subject to cost-sharing requirements, including a deductible, copayment, coinsurance, or annual or maximum benefit provision, provided the requirements are consistent with requirements applicable to other pharmaceutical coverage under the health insurance benefits coverage.
4. The insurer shall provide notice to policyholders regarding the coverage required by this section. The notice must be:
   a. In writing;
   b. Prominently positioned in any literature or correspondence; and

c. Provided to policyholders when annual information is made available, or in any other mailing to policyholders.

5. This section does not apply to the Medicare Part D prescription drug coverage plan.

SECTION 2. PUBLIC EMPLOYEES RETIREMENT SYSTEM - PRESCRIPTION DRUG COVERAGE - ANTIOBESITY MEDICATION - REPORT TO LEGISLATIVE ASSEMBLY. Pursuant to section 54-03-28, the public employees retirement system shall prepare and submit for introduction a bill to the seventieth legislative assembly to repeal the expiration date for this Act and to extend the coverage of prescription drug benefits for antiobesity medication to all group and individual health insurance policies. The public employees retirement system shall append a report to the bill regarding the effect of the prescription drug benefits for antiobesity medication requirement on the system's health insurance programs, information on the utilization and costs relating to the coverage, and a recommendation regarding whether the coverage should be continued.

SECTION 3. APPLICATION. This Act applies to health benefits coverage that begins after June 30, 2025, and which does not extend past June 30, 2027.

SECTION 4. EXPIRATION DATE. This Act is effective through June 30, 2027, and after that date is ineffective.

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Memo

Date: January 15, 2025

To: Rebecca Fricke - Executive Director, North Dakota Public Employees Retirement System

Representative Austen Schauer - Chair, Legislative Employee Benefits Programs Committee, North Dakota State Government

From: Tim Egan, Dan Plante, Ford Edgerton, and Karno Sarkar - Deloitte Consulting LLP

Subject: **FINANCIAL REVIEW OF PROPOSED BILL 25.0747.01000**

Deloitte Consulting LLP (Deloitte [i]) was engaged to review the proposed legislation and the potential financial impact to the Uniform Group Insurance Program (Program) administered by the North Dakota Public Employees Retirement System (NDPERS), as well as other considerations that may contribute to the evaluation of the legislation.

The information included in the review relies on data provided by NDPERS, as well as publicly available data and industry studies. From the data provided by NDPERS, some of these data sources were developed by NDPERS, while others were prepared or created by third parties and delivered to NDPERS.

As part of the review, all data were reviewed for reasonableness, but an audit was not performed on the data. To the extent the data contain errors or anomalies that were unknown at the time the data were provided, the analysis may be affected by those issues.

OVERVIEW OF PROPOSED BILL

The current Bill creates and enacts a new section to chapter 54-52.1 of the North Dakota Century Code relating to antiobesity medications.

The proposal stipulates that the Program must cover at least two antiobesity medications approved by the United States Food and Drug Administration (FDA) for chronic weight management in patients with obesity. Coverage criteria for all antiobesity medication may not be more restrictive than FDA approved criteria, and coverage may include cost-sharing consistent with other pharmaceutical coverage.

NDPERS must notify policyholders about this coverage when their annual information is made available, or in any other mailing to policyholders, and the notice must be prominent and in writing.

IMPLICATIONS OF BILL

The intent of the proposed Bill is for the Program to expand access to antiobesity medications for patients with obesity. NDPERS will need to update their policies to ensure compliance, as well as give notice of the updated coverage. This will likely result in increased demand and utilization of these medications by individuals with obesity, which may lead to improved health outcomes over time.

As the Bill mandates that cost-sharing be consistent with other pharmaceutical coverage, as well as that coverage criteria be at most as restrictive as the FDA criteria for these medications, the costs ought to remain affordable for policyholders on a cost-sharing basis in comparison to other pharmaceutical coverage, but will likely result in additional costs to the plan.

With greater access to affordable antiobesity medications, policyholders may be able to better manage obesity and reduce the incidence of obesity-related chronic diseases. By potentially helping with comorbidities, these individuals may see long-term cost savings. Note, however, that the antiobesity/GLP-1 market is in an early stage, where long-term data and studies remain on the horizon, and consensus about long-term effects is still evolving. As such, though long-term cost savings due to weight-loss are anticipated, the amounts are unknown, and significant uncertainty remains. It is assumed that those potential savings would take multiple years (i.e., outside the scope of the 2025-2027 biennium) to materialize. It is also possible that long-term side effects could materialize with costs that may offset any savings attributable to a reduction in comorbidities.

In addition, GLP-1 drugs may receive FDA approval for new indications beyond diabetes or weight management. For example, Zepbound received FDA approval in December 2024 for the treatment of moderate to severe obstructive sleep apnea in adults with obesity. The potential impacts of such indications are not considered in the analysis, given the lack of concrete or predictive data around such alternative indications.

The Program's insurer will have to adjust premiums to accommodate this potential increase in antiobesity drug usage, as well as the potential long-term cost savings from the improved health outcomes. This may be seen through an initial increase in healthcare costs that may be offset by long-term savings through a reduction in obesity-related chronic diseases, though uncertainty surrounding the long-term effects of antiobesity drug usage presents challenges in understanding the magnitude of such offsetting costs.

While the proposal stipulates that any two FDA approved antiobesity medications can be covered to satisfy compliance, GLP-1s are becoming the predominant antiobesity medications. Therefore, it is most likely that GLP-1s will be the antiobesity drugs covered by the Program.

In addition, the Bill mandates that any and all mailings to policyholders contain prominent notification of this coverage. This would pertain both to mailings that are relevant to prescription drug coverage, as well as those that are not. As such, the administrative impact would likely be wide-ranging and extensive.

ESTIMATED FINANCIAL IMPACT

Based on the analysis, it is anticipated that the proposed legislation will have a financial impact on the Uniform Group Insurance Program. The financial impact was derived from a combination of multiple modeling scenarios and underlying assumptions, as further outlined within this memorandum. For purposes of a fiscal estimate, and given the volatility in the adoption and usage of GLP-1 medications in the future, more conservative modeling assumptions were considered, resulting in a fiscal impact estimate of approximately $72,000,000 (approximately 8.3% of total premium) in the 2025-2027 biennium ending 6/30/3027.

The Uniform Group Insurance Program currently covers GLP-1s solely to treat diabetes. The Program does not cover GLP-1 drugs as antiobesity medications. An internal GLP-1/GIP Drug Claims Cost Model was utilized to estimate the additional cost of covering Severe Obesity on the Uniform Group Insurance Program. The model uses US Census data, as well data and assumptions for GLP-1 drugs published by Harvard, the CDC, and Milliman to estimate the financial impact of GLP-1/GIP drugs. Some of the primary modeling considerations include but are not limited to: population eligible for coverage, utilizers of the treatment, medication adherence rates in the initial year vs. second year, population turnover, treatment cost – inclusive of cost per script and dosage considerations, potential drug price rebates/discounts, and member cost sharing.

Eligible Population

The analysis considered the range of Severe Obesity coverage that would be available to individuals based off the FDA criteria, which has approved the use of GLP-1 drugs for members meeting the definition of obesity (BMI of 30.0 or higher) or that have a BMI of 27.0 with a weight-related health condition.

Assumptions around the population eligible for the benefit were analyzed under varying BMI levels, with further analysis conducted on the utilization rates of the drugs for those that are eligible for the benefit. For example, it is estimated that more than 50% of the North Dakota state population has BMI levels at 27 or higher, whereas approximately 35% of the population has BMI levels of 30 or greater. These estimates can vary by more than 10% if analyzing population averages versus including or excluding outliers (for example, bottom/top 5% of the population). For purposes of the fiscal estimate, analysis of BMI levels of 27.0 or higher were utilized, with varying assumptions on the take-up rate for the treatment.

Utilizers

In consideration of the actual utilizers of the treatment, the modeling analyzed the percentage of potential treatment uptake in year 1, with considerations for treatment adherence in year 1, assumptions for the percentage of users continuing treatment into year 2, treatment adherence in year 2, as well as the impact of population turnover. The analysis considered how those assumptions may vary between the active and retiree populations.

The estimate of total utilizers can vary materially based on the above assumptions. For example, modeling indicates that average duration of treatment could be as low as 6 scripts/year, which could reduce treatment costs by as much as 50% in comparison to 100% adherence. For the analysis, a combination of scenarios was utilized in the development of the total utilizers. Scenarios assuming higher treatment uptake and better medication adherence in year 1 and 2 were selected for purposes of developing the fiscal estimate.

Treatment Costs

The analysis considered the potential impact of rebates/discounts offered to plans to cover GLP-1 drugs for weight loss. For purposes of the fiscal estimate, it is assumed that manufacturers will not fully honor rebate payments. The manufacturer of the GLP-1 drug Wegovy, has publicly stated that if plans cover GLP-1 drugs for weight loss but limit access for coverage, then they may not provide rebates or discounts to plans that limit access. If GLP-1 manufacturers view the FDA coverage criteria as a limit to access, then they may refuse to provide rebates. For example, manufacturers have refused to provide rebates to the State of North Carolina and the University of Texas health plans, which have included limitations to their GLP-1 drug access[1].

Estimated rebates/discounts for GLP-1 drugs can be approximately 40%, if not greater; therefore, the ability for NDPERS to receive rebates on the weight-loss treatment regimens can materially affect the fiscal impact of the Bill. Member cost sharing provisions also impact the potential net

financial cost of the Bill to the Program and was considered in the modeling and development of the estimated treatment costs.

Caveats and Other Modeling Considerations

As noted above, there are a variety of factors that may materially influence the financial impact of the proposed Bill. For purposes of developing a fiscal estimate, more conservative assumptions were utilized. However, the combination of factors and actual implementation of the legislation could result in a range of financial costs, both materially less than or greater than those outlined in this analysis.

In addition to some of the primary modeling assumptions described above, other external factors that could affect the financial impact of the Bill include, but are not limited to:

- Actual BMI demographics of the NDPERS population
- Gender breakdown of eligible members – as treatment take-up rates, medication adherence, and BMI levels typically vary by gender
- Changes in single/family contract distribution and percentage of adults who may be eligible for treatment over the biennium
- The type of GLP-1 drug being used. While Wegovy, Ozempic, and Zepbound are popular drugs, more drugs are expected to be introduced to the market, pending FDA approval. There are over 100 GLP-1 drugs in development, including oral medication. The increase in the number of GLP-1 drugs can impact the overall cost of drugs
- The weight loss that will be sustained by members using GLP-1 drugs
- The dosage of a GLP-1 prescription to treat obesity can be different than the dosage to treat diabetes. This may affect the cost per prescription for a weight loss diagnosis compared to that for diabetes
- The adherence rate for GLP-1 drugs for weight loss may fluctuate compared to diabetes
- GLP-1 drugs for weight loss may lower the impact of other comorbidities for members. Therefore, other medical costs may be avoided as members lose weight when utilizing a GLP-1 drug, though there is considerable uncertainty around the degree to which (or even whether) such long-term health outcomes are realized
- GLP-1 drugs for weight loss are not maintenance drugs. Members may taper off these drugs as they manage their weight. Therefore, the utilization can taper off over time and could lower cost to the plan, though it is possible that members could "rebound" after cycling off such drugs, which would limit cost savings.
- FDA approval for alternate treatment regimens in addition to diabetes and chronic weight management may impact the Program's utilization of GLP-1 drugs and/or the overall cost of drugs as market demand changes and new GLP-1 drugs enter the market

Moreover, the Bill mandates that all mailings to policyholders contain prominent notification of this coverage. This notification requirement is not commonly a requirement for employers and is often a requirement for the plan sponsors. How the notification requirements will be interpreted and implemented is unknown; however, it is likely the administrative impact could be material given the volume of policyholder-facing materials encompassed by this provision. The modeling and fiscal

impact estimate does not include a specific adjustment for this potential administrative change, but should be considered within the context of the aggregate biennium cost and Program impact.

Other Considerations

The preceding analysis was done under the assumption that GLP-1s will be the antiobesity drugs covered by the Program due to their increasing use as antiobesity medications. However, the FDA has approved a total of six antiobesity medications: "orlistat (Xenical, Alli), phentermine-topiramate (Qsymia), naltrexone-bupropion (Contrave), liraglutide (Saxenda), semaglutide (Wegovy), and tirzepatide (Zepbound)."[2] Out of these six drugs, only liraglutide, semaglutide, and tirzepatide are GLP-1s. Setmelanotide (IMCIVREE) is another non-GLP-1 approved by the FDA but is limited to individuals with specific genetic disorders.[2]

This bill's financial analysis considers Wegovy and Zepbound, as these are the two most popular drugs. However, if any of these other drugs were added to the Program's coverage in lieu of Wegovy and Zepbound, then the costs may be different.

Additionally, as mentioned previously, policyholders may see long-term cost savings due to better management of obesity and a potential reduction in the incidence of obesity-related chronic diseases. These potential savings were not fully analyzed and excluded from the fiscal impact estimate. The antiobesity/GLP-1 market is in an early stage, and significant uncertainty and unknowns exist with regard to long-term impacts. While costs savings attributable to improved health outcomes resulting from reduced comorbidities is plausible, it is also possible that long-term side effects materialize whose costs overwhelm any savings realized by improved health outcomes.

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[1] Business Insider. (2024). "2 major employers said they stopped paying for weight-loss drugs like Wegovy after the drugmaker threatened to penalize them"

[2] National Institute of Diabetes and Digestive and Kidney Diseases. (2024). Prescription Medications to Treat Overweight & Obesity. U.S. Department of Health and Human Services, National Institutes of Health. https://www.niddk.nih.gov/health-information/weight-management/prescription-medications-treat-overweight-obesity