

The winners and losers of Biden's plans to expand coverage of weight-loss drugs

US President Joe Biden wants to expand the government's coverage of weight-loss drugs. If approved by the Trump Administration, this move will increase demand and further reshape the healthcare sector



About 13% of US adults have used a GLP-1 drug

Additional 7.5 million Americans covered under Biden's plan

The Biden Administration has announced that it wants to expand government coverage of weight loss drugs to include obese patients who do not have separate health conditions. The proposed change is part of the annual Medicare update to take effect from 2026 onwards. It would cover roughly 3.5 million Americans over 65 under Medicare, and about an additional four million lower-income Americans under Medicaid.

The White House stated that this proposal could lower out-of-pocket costs for these households by as much as 95%. Currently, out-of-pocket costs can amount to \$1,000 per month.

What might Trump do?

The incoming Trump Administration would need to finalise Biden's proposed changes, and the direction it will take is not yet certain. In addition, Trump's cabinet picks still need to be approved by the Senate. If approved by the Senate, Mehmet Oz will lead the Centres for Medicare and

Medicaid Services. He has praised Ozempic in the past. Moreover, Elon Musk has been vocal about his own use of weight loss drugs, but Biden's proposal conflicts with his aim to cut government spending.

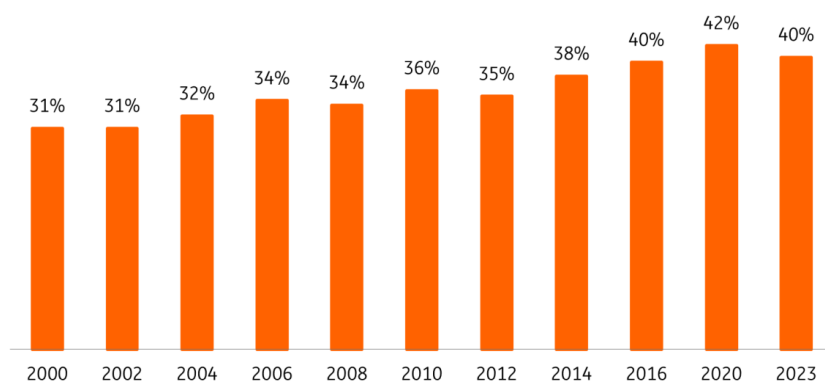
Robert F. Kennedy Jr., set to lead the US Health Department, has criticised Novo Nordisk and other pharmaceutical products, expressing a preference for focusing on nutrition and food quality. However, preventive measures should complement the use of GLP-1 medications, as current obesity prevention efforts do not help those already affected. In summary, the Trump Administration's approach to this issue remains uncertain.

Demand for weight-loss drugs to increase further

If the Trump Administration finalises Biden's proposals, this would increase the already substantial demand for GLP-1s. About 13% of US adults have used a GLP-1 drug, and about 6% of adults are currently using them via prescription. New data from the US National Health and Nutrition Examination Survey indicate that, although it is too early to draw definitive conclusions, there have been positive results: since 2020, obesity rates among adults have decreased by two percentage points. This decline is mostly driven by a drop in obesity rates among college-educated Americans, who are more likely to have access to GLP-1s. If weight loss drugs were to decrease in price for nearly 7.5 million Americans, demand would increase further.

Obesity rates have declined since the introduction of weight-loss drugs

Percent of adults aged 20 and older with obesity, 2000-23



Source: US National Health and Nutrition Examination Survey

Business case for GLP-1s more attractive in Europe than in the US

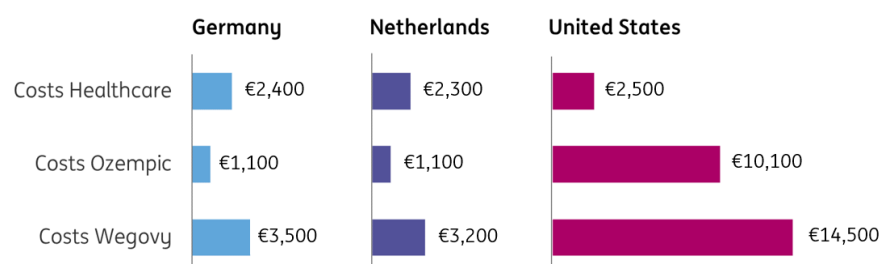
[We have previously calculated](#) that the annual cost of weight loss drugs is relatively high in the US compared to Europe. These estimates are based on list prices, which are often higher than the actual prices paid.

Moreover, healthcare costs account for only 25% of the total societal costs of obesity, with

significant losses in productivity and health-related quality of life. Additionally, these costs are calculated annually but are predominantly incurred towards the end of patients' lives. As societies age and obesity rates increase, these costs are set to continue rising.

Business case of weight-loss drugs less rosy in the US

Annual costs per person of additional healthcare to treat obesity-related diseases versus the use of Wegovy and Ozempic



Source: Peterson-KFF; Hecker et al. (2022); Cawley et al. (2021); Effertz et al. (2016); Konnopka et al. (2010); World Bank; Novo Nordisk; ING Calculations

Biden believes weight-loss drugs could reduce health care costs

In a press release on Tuesday, the White House stated that this proposal will “allow Americans...to lead healthier lives...and ultimately reduce health care costs to our nation”. Essentially, the Biden Administration believes that the widespread use of GLP-1s will lead to a significant reduction in healthcare costs in the long term, as the plans are likely to cost tens of billions of dollars in the near term.

In October, [the Congressional Budget Office \(CBO\) estimated](#) the cost of covering weight loss drugs for Medicare patients at roughly \$35 billion between 2026 and 2034. The CBO noted that these costs would initially exceed the savings from improved health outcomes. However, it also projected that healthcare costs would fall after 2034 and that the savings from improved health would grow over time. We therefore believe that, [if availability for people with diabetes is safeguarded and if preventive measures are also taken](#), it is better and more cost efficient to cover weight loss drugs sooner rather than later.

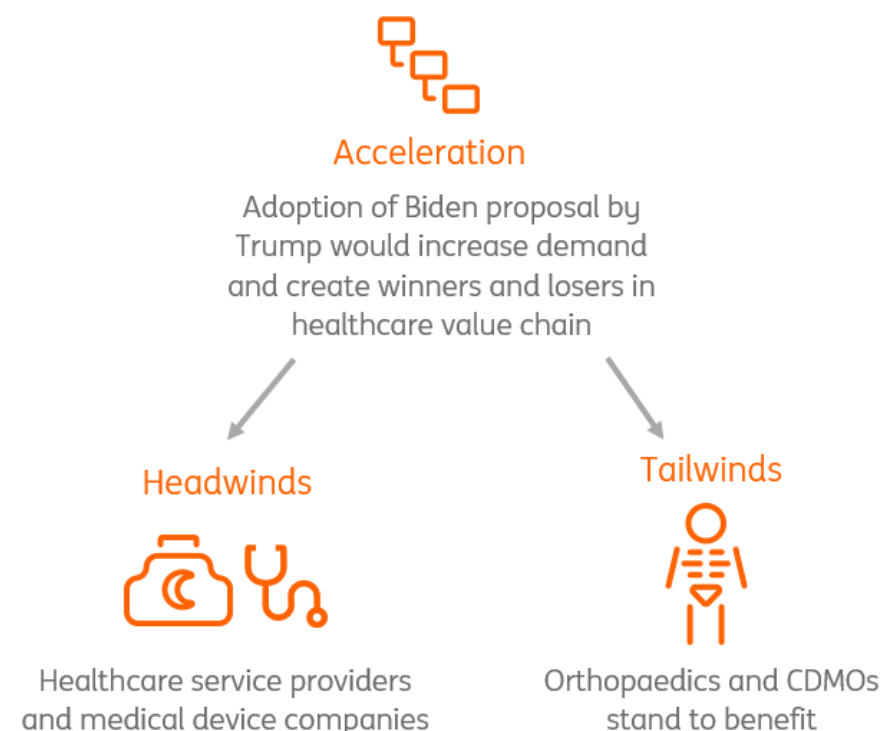
Increased demand for GLP-1s will create winners and losers in the healthcare value chain

If Trump finalises Biden's proposal, then the already significant effect of GLP-1s on healthcare value chains would be accelerated. Two subsectors where we expect headwinds would be medical devices and healthcare service providers.

Medical device-based treatments for comorbidities of obesity, such as cardiovascular devices, will see a gradual drop in demand. For healthcare service providers, increased GLP-1 use likely means less high acuity services such as gastric bypasses and more primary care, which is a headwind in the short term.

Subsectors such as orthopaedics stand to benefit, as more people lose weight, more people will qualify for joint replacement.

Contract development and manufacturing organisations (CDMOs) also stand to benefit as manufacturing capacity for GLP-1s is in short supply.



Source: ING

Can increased demand be met?

This leads to an important question: can the increased demand be met by frontrunners Eli Lilly and Novo Nordisk? Both manufacturing capacity and active ingredients are scarce. Fortunately, the FDA recently decided that tirzepatide (the active ingredient in the GLP-1s of Eli Lilly) is no longer in short supply and has listed semaglutide (the active ingredient in the GLP-1s of Novo Nordisk) as available.

Moreover, Novo Nordisk has committed more than \$4bn for a new production facility of GLP-1s in the US, and Eli Lilly has pledged more than \$5bn to a similar plant. Still, if demand were to skyrocket as a result of Biden's plans, shortages might increase once more, which should be closely monitored as diabetics depend on GLP-1s.

While current measures and investments by Eli Lilly and Novo Nordisk show promise in meeting increased demand, continuous monitoring and adaptive strategies will be essential to ensure a stable supply of GLP-1s for diabetics.

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