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## Drug Trend and Pipeline

### Overview

The complex pharmacy marketplace continues to evolve as new products are introduced and treatment paradigms are updated. Mercer Government's Pharmacy team (Mercer), consisting of consultants and licensed pharmacists, monitors market and pipeline developments to incorporate real-time insights into our analyses. This FLASH contains projected pharmacy trend highlights for 2025 and beyond.

### National Trend Projections

#### Overall Medicaid Spending Projections

In their [June 2024 publication](#), the Centers for Medicare & Medicaid Services (CMS) Office of the Actuary projected average annual growth of 5.0% for Medicaid spending for 2023 through 2032.

"For 2023–2032, the average rate of growth for Medicaid spending is projected to be 5.2%. State eligibility redeterminations resumed in 2023 following the expiration of the Families First Coronavirus Response Act's continuous enrollment provisions, and many individuals were disenrolled in 2023 (and more in 2024) as a result. After 2024, Medicaid enrollment is expected to stabilize as eligibility processes return to normal."

CMS projects average annual growth in retail prescription drug spending of 6.0% over 2023–2032.

### Medicaid Drug Trend

#### Traditional and Specialty Drugs

Overall Medicaid pharmacy trend projections for 2024–2026 increased from the previous period (2023–2025); eligibility changes are not expected to reduce pharmacy spend given the relatively small utilization of members that have been or will be disenrolled. Traditional drug trends rose significantly as the effects of insulin price decreases and several substantial generic entries have passed. Minimally mitigated by the availability of biosimilar competition for Humira® and Stelara®, specialty drug trends were relatively consistent across the two periods. Mercer reports per member per month trend gross of any rebates collected by state Medicaid programs or their contracted managed care organizations.

The Mercer team's robust trend development and review process projects trends based on industry insights, professional judgement, and experience observed through Mercer Government's Medicaid clients. In our projections, we account for COVID-19 costs for vaccines and treatments shifting to state Medicaid programs. Information related to the drug pipeline, clinical guidelines, and post-

pandemic experience is rapidly evolving, and we continue to evaluate and adjust pharmacy trend projections as needed throughout the year.

- **Traditional Drugs:**
  - 2024–2025: 8.5% to 9.5%
  - 2025–2026: 8.0% to 9.0%
- **Specialty Drugs:**
  - 2024–2025: 5.5% to 9.5%
  - 2025–2026: 6.5% to 10.5%
- **Overall Projected Medicaid Drug Trend:**
  - 2024–2025: 7.0% to 9.5%
  - 2025–2026: 7.0% to 9.5%

## Trend Drivers and Other Considerations

### Drivers in Traditional Drug Categories

The 2025–2026 projections for traditional drugs are similar to 2024–2025 estimates, boosted by new therapies, manufacturer price increases, and steady utilization gains in top categories, particularly diabetes.

- **Diabetes:** Glucagon-like peptide-1 agonists (GLP-1s) are a focal point of high diabetes trends and have generated concerns about off-label use for weight loss. Robust utilization growth and price hikes of popular non-insulin treatments (including GLP-1s Ozempic® and Mounjaro™, as well as oral drugs Farxiga® and Jardiance®) continue as the effects of recent price reductions in the insulin marketplace settle, resulting in high overall trend for the class.
- **Infections:** Mercer expects commercialization of COVID-19 treatments (namely Paxlovid™) to drive a high-unit cost trend in this category as states become responsible for the full cost of treatment. Price and utilization growth of the branded drug Xifaxan® is also a major contributor to trend.
- **Substance Use Disorders:** Utilization of medication assisted treatment (MAT) for opioid use disorders will continue to rise as the opioid crisis endures and access to providers has increased. Market share of long-acting injectable buprenorphine products. Sublocade® and Brixadi®, is growing; utilization shifts to these more costly options raises unit cost trends.
- **Asthma:** Approved in June 2024, Ohtuvayre™ for chronic obstructive pulmonary disorder (COPD) is now the costliest product in the class, with an annual price of more than \$35,000. While uptake will be limited to those with severe COPD, projected utilization of this relatively expensive therapy drives up unit cost trends.

## Drivers in Specialty Drug Categories

Trend projections for 2025–2026 are comparable to 2024–2025, despite several expensive new products for rare diseases. Specialty drugs will continue to grow as a percentage of drug spend, accounting for over half of drug spend in 2025-2026 and beyond.

- **Rheumatoid Arthritis and Other Inflammatory Conditions:** In 2024, several additional biosimilars, including interchangeable versions, for market leader Humira® launched. These have since been adopted on Medicaid preferred drug lists and formularies, leading to increased uptake and declining originator market share. Stelara®, another bestselling drug in the class, will face biosimilar competition from multiple products starting in the first quarter of 2025. Trends remain high due to new market entrants for relatively common conditions such as atopic dermatitis and expanded uses of existing products, such as Dupixent®. As with most brand-heavy drug classes, regular price hikes yield meaningful unit cost trends.
- **Oncology:** The oncology drug pipeline contains over 700 investigational drugs, including many aiming to address unmet medical needs and provide targeted treatment options where none previously existed. As such, new products are introduced at higher price points than existing therapies; these drugs' annual costs often exceed \$250,000. There is little downward pressure on trend in the oncology category with few near-term patent expirations expected. Generics of blockbuster drug Sprycel® launched in September 2024 and additional labelers are expected in March 2025, which will likely result in significant price erosion; a generic of Tassigna® may launch in 2025.
- **HIV:** Single tablet regimens have become the treatment standard for new and existing users. Branded products Biktarvy®, Genvoya®, and Triumeq™ now account for over 65% of spend in the HIV category. Unit costs will continue to increase as more patients migrate to single tablet regimens and manufacturers continue to increase prices each year. Newer, long-acting injectable products, available for both HIV treatment and Pre-Exposure Prophylaxis (PrEP), are also gaining market share and are priced at a premium to oral formulations.
- **Pulmonary:** Positive utilization trends are the result of rising market share of Tezspire® for asthma, and new indications for existing products Fasenra® and Xolair®. In addition, Alyftrek™, a once-daily follow-on to Trikafta®, was approved in December 2024. This new product has an annual cost of \$370,000, which is 7% higher than its predecessor. Much of the utilization will be from Trikafta® converts, resulting in minimal influence on trend. In 2025 Nucala® could be approved for COPD, offering a once-monthly biologic option to compete with Dupixent® for this indication.

## Gene Therapy Pipeline

Gene therapies, which modify or correct specific human genes to improve function or cure a disease, are commonly priced over \$2 million for a one-time dose. These treatments must be administered in a clinic or hospital setting and are not dispensed by outpatient pharmacies. As such, gene therapies are not incorporated into Mercer's general pharmacy trend projections. In addition to a robust pipeline of products nearing approval, the FDA greenlit three new gene therapies in 2024:

- Kebilidi™, approved in November 2024, is used to treat a rare and fatal disease called aromatic L-amino acid decarboxylase (AADC) deficiency. It is the first gene therapy administered directly into the brain.

- Beqvez™, approved in April 2024, is the second gene therapy approved for Hemophilia B and will compete with Hemgenix®.
- Lenmeldy™, approved in March 2024, is used for metachromatic leukodystrophy (MLD), a rare condition affecting around 2,500 people in the United States.
- Elevidys®, for Duchenne muscular dystrophy (DMD) was approved in June 2023 for ambulatory patients aged 4 to 5 years old. In June 2024, the approval was expanded to allow for use in all patients with DMD, regardless of age and ambulatory status, significantly expanding the eligible patient population.

## Conclusion and Outlook

The 2025–2026 outpatient prescription drug trends are similar to those seen in 2024–2025 with the same top drivers, including diabetes and inflammatory conditions. While biosimilars could represent meaningful decreases in pharmacy costs, the extent will depend on coverage policies, patient and provider acceptance, and product availability. Costly new therapies, especially those for rare and previously untreatable conditions, may generate new pharmacy spend in addition to manufacturer price increases and anticipated utilization growth of specialty drugs and GLP-1s. Outside of pharmacy trend, new gene therapies and wider acceptance of existing products will further increase drug spend.

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## For More Information

The Mercer Government Pharmacy team works with clients to inform and educate on the financial and clinical implications of pipeline products and pharmacy trends.

Please contact [Ryan Ferguson](#), [Noah Greenberg](#), or [Payal Kotadiya](#) to talk through the potential impact of these new therapies and updates to your specific state program. You may also email us at: [mercer.government@mercer.com](mailto:mercer.government@mercer.com).

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