Obesity medicine's foggy future is getting clearer

February 12 2024, by Lisa Jarvis, Bloomberg Opinion

Credit: Unsplash/CC0 Public Domain

The biggest quandary in the obesity drug market is that nobody knows just how big it will be. Everyone agrees it'll be huge—currently, Eli Lilly & Co. is worth more than Tesla Inc., and Novo Nordisk A/S is at times

the most valuable company in Europe. But just how many people will eventually take drugs like Wegovy and Zepbound, better known by the names of their diabetes counterparts Ozempic and Mounjaro? How long do patients need to stay on the drugs? Will the market be merely massive, or truly gargantuan?

Those are critical questions for investors as well as anyone paying for the drugs, which are also collectively called GLP-1s. That includes not only patients, but employers, insurers and state governments. This week brought a cluster of developments that suggest the market should start to take a more defined shape in 2024.

Employers trying to wrap their heads around the near- and long-term costs of these drugs are grappling with several major unknowns. Chief among them: With two good options on the market and more to come, will competition drive down their cost? How long should people stay on these drugs? And are there short- and long-term benefits beyond weight loss that could both help patients and bring unexpected savings to payers?

One concern for payers is whether they will reap any of the long-term savings potentially afforded by drugs that are expensive now. In an interview with Bloomberg this week, Novo Nordisk CEO Lars Fruergaard Jørgensen argued that as these drugs become more broadly covered, the benefits become collective.

But first drugmakers will have to solve a lack of supply. Both Novo Nordisk and Eli Lilly are spending billions to increase stockpiles. This week, Novo shelled out $11 billion for three manufacturing sites from Catalent Inc. through a complicated deal to help it pump out more Wegovy and Ozempic.

Lilly executives, meanwhile, told investors on its earnings call Tuesday

that it is embarking on "the most ambitious expansion agenda" in its history to keep up with demand for Zepbound and Mounjaro.

Both companies concede that demand will continue to outstrip supply this year, but there should be more of each drug available. Lilly, for example, believes it should be "at least 1.5 times the production" of shelf-ready product by the second half of the year compared to the prior year.

This doesn't just matter for patients scrambling for their medicine; it matters for payers trying to estimate the average length of time someone needs or wants to be on one of these new obesity drugs. So far, supply constraints have made that nearly impossible to pin down.

Many people haven't even been able to start treatment, and those who begin too often struggle to find their weekly dose, leading to unplanned pauses in treatment. Others have dropped off therapy because they can't tolerate the side effects, and yet another group seems to be experimenting with lowering their dosage or skipping doses after reaching their goal weight.

In the end, it means we just don't yet know how many people will take these treatments chronically versus short term. Estimates for adherence to Wegovy, which has now been on the market for nearly three years, are all over the place.

"There's not a datapoint out there today that's not impacted by the fact that we've been working through a short supply scenario," says Michael Manolakis, senior vice president within the pharmacy practice team at Aon, a consultancy.

Companies could help fill the data void by doing more studies on the maintenance phase of weight loss. While both Novo and Lilly have shown that people quickly regain pounds after stopping their drugs, so

far we don't know if some patients might be able to prevent that by, say, taking a lower dose or by taking their drugs less often. Lilly is running a trial that could answer the former, but not the latter.

If that sounds like a crazy suggestion—what incentive do companies have to prove that people need less of their product?—consider that patients and their doctors are doing their own ad hoc experiments as they look for an off-ramp from chronic treatment. Meanwhile, insurers, governments and employers might be more willing to cover an expensive drug if they know they won't have to pay for it indefinitely.

And the next generation of drugs is already integrating maintenance into their strategies. Amgen, for example, said this week that people taking the highest dose of its experimental obesity drug AMG 133 could maintain their roughly 15% weight loss for up to five months after treatment ended.

Sure, the trial was tiny and the drug works in a unique way, allowing for a more lasting effect. But Amgen is now conducting a Phase II trial, asking what happens if people stop the drug altogether versus taking a lower or less frequent dose.

If decades of evidence from bariatric surgery is a guide, there is reason to believe the broader health benefits would persist as long as the weight stays off, says Amgen's senior vice president of global development Narimon Honarpour.

And we are already getting more clarity on the potentially wide range of health benefits. Novo Nordisk last year offered landmark data showing Wegovy can lower the risk of heart attacks and strokes in people at risk of cardiovascular disease. This week, Lilly offered the first scrap of data suggesting Zepbound could be an effective treatment for a form of fatty liver disease called MASH (metabolic dysfunction-associated

steatohepatitis). The drug got rid of the disease and, in 74% of subjects, seemed to stop the progressive scarring of the liver associated with the condition.

Beyond formal studies, people have finally been taking these drugs for long enough that some of the more subtle health effects could start to be found in the data. Manolakis says top of mind for him in 2024 is to sift through health insurance claims data for any sign that people reap benefits beyond the number of the scale. For example, are they taking fewer medications for other chronic conditions, like high cholesterol or blood pressure? Eventually we might even see fewer knee surgeries and heart attacks.

Competition also ought to make the price of chronic care a little less painful. Lilly had already priced Zepbound at a discount to Wegovy, and other drugs—a pill from Novo Nordisk, next-generation treatments from both Lilly and Novo, and many others behind them—are on the way. This year should provide a first look at how hard manufacturers will work to get a preferential position on insurers' formularies, the list of drugs they're willing to cover.

We're still at the very beginning of the weight loss revolution, but each bit of data gives us a better idea of what it will look like in full bloom.