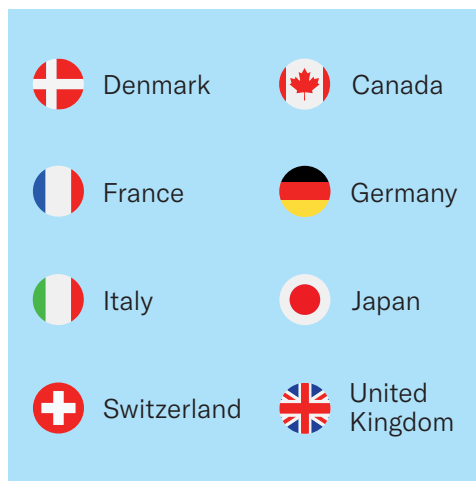


Potential impact of the CMS GENEROUS model

In late 2025, The Centers for Medicare and Medicare Services (CMS) introduced the Generating cost reductions for US Medicaid (GENEROUS) model. Currently, this is a voluntary model but if rolled out more widely, manufacturers of drugs with large Medicaid populations in the US may choose not to launch those products in benchmark countries to preserve US pricing opportunities.

Reference country selection

The model provided guidance on reference countries, defined by the G7 countries plus Denmark and Switzerland.

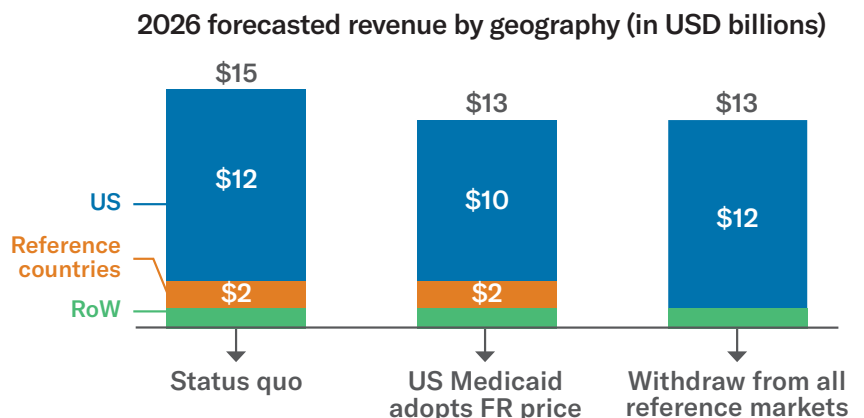
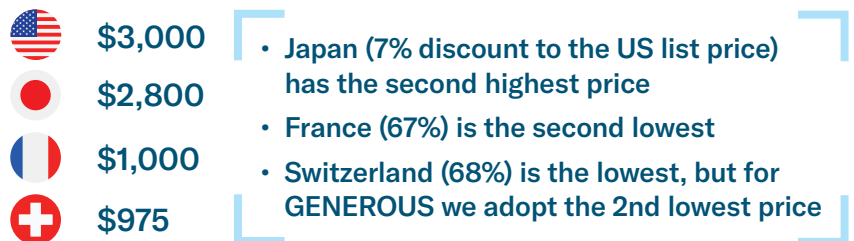


Reference price

Within this model all reference prices are adjusted for GDP Purchasing Power Parity (PPP) and then the **second lowest NET price** is used as the US reference price for the Medicaid channel.

Implications for product launch

Hypothetically, we consider how lowering the US price in the Medicaid channel to the second-lowest PPP-adjusted LIST* reference price at launch would impact forecasted global sales. In this stylized example, we consider a large oral drug in a chronic condition with Medicaid expected to be about 35% of US units.



In this example a manufacturer would likely not launch in reference countries due to the additional cost of commercialization and manufacturing.

In this example, if the manufacturer withdrew from the reference markets, more revenue would be retained in the US and the Rest of World (RoW). This suggests an unintended consequence of the GENEROUS model may be to not launch in benchmark countries.

* Manufacturers will need to disclose net prices as part of this model but for this analysis we will use list price
This hypothetical analysis is based on a combination of actual drug data from Komodo, Evaluate Pharma, and Navlin.