



# Coverage of Weight Loss Drugs



**State of New Jersey**  
Phil Murphy, Governor  
Tahesha L. Way, Lt. Governor



**Department of Human Services**  
Sarah Adelman, Commissioner

## **1 INTRODUCTION**

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The SFY 2026 enacted New Jersey state budget included language directing “the Department of Human Services, in consultation with the Department of Health, [to complete and submit] to the Legislature an examination of the viability and likely cost to the State of providing coverage for such drugs [drugs for the treatment of weight loss] in the NJ FamilyCare Program, Pharmaceutical Assistance for the Aged and Disabled program, and AIDS Drug Distribution Program.” This memo is being submitted in compliance with this requirement.

## **2 BACKGROUND**

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### **2.1 NJ FAMILYCARE**

NJ FamilyCare is the name of New Jersey’s Medicaid and CHIP programs, which offer health insurance to certain low-income, aged, blind, and disabled individuals. NJ FamilyCare is a joint state-federal program; as such the cost of weight-loss drugs would be split between the state and federal governments. In addition, the cost of such drugs is partially offset by rebates mandated by federal law to be paid by pharmaceutical manufacturers to state Medicaid programs.

Under existing federal and state law, NJ FamilyCare already provides coverage of drugs indicated for weight loss in certain limited circumstances. These include when drugs (including Glucagon-like peptide-1 agonists or GLP-1s) are prescribed for FDA-approved indications other than weight loss. For instance, Wegovy is covered when clinically appropriate for cardiovascular disease, and Zepbound is covered for sleep apnea. Coverage of weight loss drugs is also required in certain cases as part of federal requirements to cover Early and Periodic Screening, Diagnostic, and Treatment (EPSDT) services for children.

### **2.2 PHARMACEUTICAL ASSISTANCE FOR THE AGED AND DISABLED**

The Pharmaceutical Assistance for the Aged and Disabled (PAAD) is a state-funded program that helps eligible older adults and individuals with disabilities with prescription drug costs. In order for a drug to be covered, its manufacturer must agree to provide additional rebates to New Jersey.

## 2.3 AIDS DRUG DISTRIBUTION PROGRAM

The AIDS Drug Distribution Program is the New Jersey version of the federal AIDS Drug Assistance Program (ADAP). It provides medically necessary drugs to individuals with HIV who meet certain income and other eligibility requirements.

## 3 COST ESTIMATES

### 3.1 NJ FAMILYCARE

The table below projects the cost of full coverage of drugs for the treatment of weight loss in the NJ FamilyCare program in SFY 2026.

<b>(SFY 2026 Estimates, Millions of Dollars)</b>	<b>Projected Expenditures on Weight Loss Drugs: Current Policy</b>	<b>Projected Expenditures on Weight Loss Drugs: Full Coverage</b>	<b>Net Increase in Cost of Extending Coverage</b>
<b>Gross Expenditures</b>	\$37.5	\$208.3	\$170.8
<i>Less Manufacturer Rebates</i>	\$15.0	\$83.3	\$68.3
<b>Gross Expenditures, Net of Rebates</b>	\$22.5	\$125.0	\$102.5
<i>Less Federal Share</i>	\$15.0	\$79.8	\$64.8
<b>Projected State Expenditures</b>	\$7.5	\$45.2	\$37.7

Note that these projections, which were generated by actuaries contracted with the Division of Medical Assistance and Health Services, are best guesses, subject to a high degree of uncertainty, and which will be affected by numerous factors. These include: (1) enrollment in NJ FamilyCare, (2) demographic and health trends, (3) the development/uptake of new anti-obesity medications, (4) variability of prior authorization criteria, (5) variability of potential MCO supplemental rebates based on coverage policy (weight loss (higher rebates) or no weight loss), (6) preferred drug list status, and (7) drug

market shares (percent utilization of Saxenda vs. Wegovy vs. Zepbound). Note also that these estimates are for SFY 2026 – offering full coverage in SFY 2026 or any future year may have additional costs, driven by program growth and/or medical inflation. These estimates were developed in August 2025 and are subject to change as new information becomes available.

### **3.2 PHARMACEUTICAL ASSISTANCE FOR THE AGED AND DISABLED**

The manufacturers of the major weight loss drugs do not currently participate (i.e. do not offer additional rebates) in New Jersey's PAAD program. Therefore, we project these drugs would not be covered and there would therefore be no initial cost to the program if the prohibition on coverage of weight loss drugs was lifted.

### **3.3 AIDS DRUG DISTRIBUTION PROGRAM**

Based on assumptions around uptake and utilization, it is projected that total costs to the AIDS Drug Distribution Program, if weight loss drugs were fully covered, would be \$1.5 million for SFY 2026. Although this program is federally-funded, total federal funding is capped and is already strained. Without state investment, the inclusion of GLP-1s could necessitate other reductions and might have longer-term impacts on program reach and/or sustainability.

## **4 VIABILITY/OTHER CONSIDERATIONS**

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As an administrative and operational matter, implementing full coverage of weight loss drugs in NJ FamilyCare would be relatively straightforward. However, there are other key considerations that may inform state policymaking in this space. These include:

### **4.1 FEDERAL POLICY**

Late in the Biden administration, the federal Centers for Medicare and Medicaid Services (CMS) published proposed rulemaking<sup>1</sup> that would require state Medicaid programs to cover weight loss drugs, including GLP-1s. In April 2025, the Trump administration announced that it was not finalizing this proposal but noted that it may address this topic in future rulemaking.<sup>2</sup> If such a regulation were to be finalized in the future, New Jersey would no longer have discretion in this space but would instead be required to cover weight loss drugs under NJ FamilyCare.

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<sup>1</sup> <https://public-inspection.federalregister.gov/2024-27939.pdf>

<sup>2</sup> <https://www.cms.gov/newsroom/fact-sheets/contract-year-2026-policy-and-technical-changes-medicare-advantage-program-medicare-prescription-final>

The “One Big Beautiful Bill Act” contains numerous changes to reduce federal Medicaid spending. The State will begin to experience the most significant impacts of these cuts starting in SFY27, creating budgetary challenges which may constrain the State’s ability to extend full coverage for anti-obesity medications.

### **4.2 LONG-TERM SPENDING TRAJECTORY**

As described above, there is considerable uncertainty around the short-term costs of coverage of weight loss medications. However, over longer time horizons (e.g. over multiple years or decades), this uncertainty becomes even greater, and is dependent on a number of factors. These include: the pipeline of new drugs in this space, the identification of new clinical indications for existing drugs, the percentage of patients who persist in utilization of GLP-1s and other relatively new drugs over time, and the percentage of individuals who initiate treatment over time. As such, even if the State is able to fund the short-term cost of extending coverage to obesity medications, it may be harder to predict long-term fiscal sustainability.

### **4.3 UTILIZATION MANAGEMENT**

In order to limit the cost of extending full coverage of weight loss drugs, NJ FamilyCare could consider adding additional restrictions on the use of these drugs. These might include:

- Mandating prior authorization, to ensure that members meet certain clinical criteria (e.g. a certain body mass index);
- Requiring patients to also participate in lifestyle or diet counseling or similar interventions in order to qualify for coverage of weight loss drugs;
- Step therapy requirements (e.g. requiring members to try lower cost or otherwise preferred drugs, before becoming eligible for higher cost options); and/or
- Negotiating preferred drug status for one or more drugs (based on the rebates the manufacturer offers to the state and/or its managed care plans).

Each of these strategies, while having the potential to save costs, might have an adverse impact on patient access, would significantly increase the complexity of implementation, and as such would likely delay the “go live” date for full coverage.

### **4.4 OFFSETTING SAVINGS**

It is theoretically possible that providing full coverage for weight loss drugs would result in offsetting future savings, if these medications improve member health, resulting in lower demand for more intensive health care services in future years. However, this effect is highly uncertain – there is insufficient data about the long-term impacts of GLP-1s to confidently estimate whether any such effect will materialize. It is also important to keep

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in mind that even if such savings materialize, they may not accrue to the State – for instance, coverage of weight loss therapies for a working age adult who is covered by NJ FamilyCare may result in savings for Medicare, if these drugs result in lower health care costs after the member turns age 65.